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MANCHOUKUO, PRECURSOR OF ASIA-
TIC RENAISSANCE AND THE GOV-
ERNMENT BY WANG-TAO
(KINGLY WAY) BASED
ON THEOCRACY

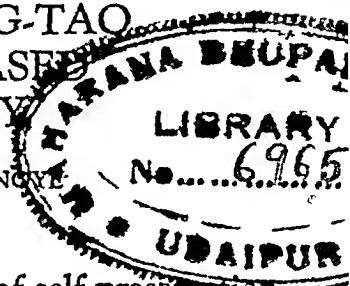
By Prince FUMIMARO KONOYE

I

Man is endowed with an instinct of self-preservation and also with that of self-expression. These instincts are admittedly of the primary importance, motivating State, Society and other human organizations.

Various manifestations of international society may be regarded as undulations or efflorescence of such instincts. Viewed in this light, the Manchurian Incident is unmistakably an irrepressible outburst of Japan's instinct for self-existence. The independence of Manchoukuo is no less than what the inhabitants of Manchoukuo took advantage of such an incident in giving way to their instinct to live and in satisfying their instinct of self-expression.

Japan with her teeming population and with innate power to grow rapidly in the domains of science and industry has been excluded by the Western Powers from an immigration or an access to all available resources. Such an exclusion has forced her to seek an outlet for her energy on the Continent of Asia, whereas China kept up her anti-Japanese campaign persistently and tenaciously. In its zeal to wipe out every vestige of Japanese influence in a speedy manner, the old Chang Regime had precipitated the wanton outrages time and again. Thus, the inevitable outbreak of hostilities in Manchuria was the foregone conclusion.

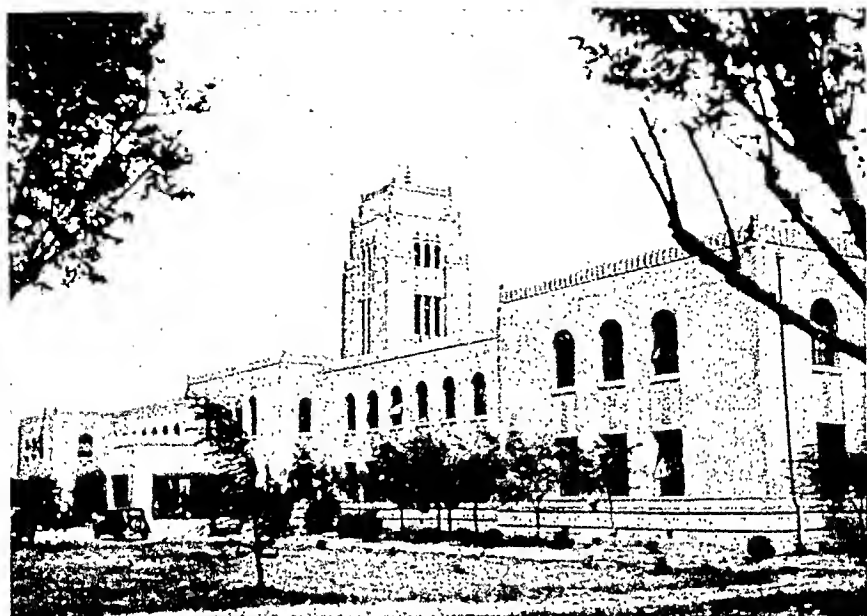


Nevertheless, what would have become of Japan, if she were impelled to have recourse to another orientation, in the face of the seclusion policy pursued by the Nanking Government and the Chang Regime? Supposing she had to turn away her attention from the Continent of Asia, the consequence would be at least her enforced expansion towards the regions already considered by the Western Powers as their spheres of influence or their colonial possessions. In plain English, the outbreak of Manchurian Incident should have been deservedly welcomed by the Western Powers. Meanwhile it may be conceded that those critics who had taken Japan to task since the year 1932 were totally ignorant of the ultimate futility of their expostulations. Their criticisms acted like boomerang.

Furthermore the Manchurian Incident afforded the inhabitants of Manchoukuo an opportunity for their rejuvenation.

The following quotations from the Proclamation of the Independence of Manchoukuo by the Government of Manchoukuo represent the actual state of political affairs then prevailing.

"The military factions of the Three Eastern Provinces, taking advantage of civil wars in the China Proper, usurped the administrative power and brought the territory under their control. War-lord succeeded war-lord,"—"All of them contemptuously disregarding the welfare of the people indulged in greed, extravagance and dissipation, pursuing their self-interest to the injury of the people,"—"The people were burdened with over-taxation to the point where they faced ruin and starvation. The currency system was completely ruined. The business of the country became stagnant and finally collapsed. At



The Capital Construction Bureau, Hsinking



The Bureau of Police, Hsinking

this critical juncture, the war-lords, giving rein to their insensate ambition, advanced their armies into the country south of the Great Wall, causing unnecessary strife and killing and wounding many thousands of people. Although on many occasions they suffered defeat, they never awakened to the realization of their folly. They lost the faith and respect of the foreign Powers; they engaged in wars with neighbouring countries and in utter disregard of the spirit of international friendship and good-will, encouraged anti-foreign movements. Laxity in the police administration stimulated disturbances in the country and encouraged depredations by thieves and bandits. Robbery, arson and massacre by these lawless elements terrified the entire population, who, bereft of protection, were exposed to outrage and hunger in all parts of the country. To leave the thirty million people of Manchuria and Mongolia unprotected against this menace within their borders exposed them to atrocities, outrage and ultimate extinction.”—(March 1, 1932).

That Marshal Chang Hsueh-liang and his entourage were expelled from Manchuria at the outbreak of the Manchurian Incident, and that “the citadel of misrule and corruption was now given a thorough renovation” seem in the eyes of the Manchoukuo inhabitants to be the outcome of “a Heaven-sent opportunity to the people of Manchuria to shake off their shackles” and to liberate themselves from their corrupt political state.

Any observer well versed in the conditions of Manchuria and capable of envisaging the actual situation of those days would not falter to tender his profound sympathy to the people who gazed at Heaven and heaved sighs of relief at the happy tidings of the downfall of Chang Hsueh-liang Régime. For the first time in their

history, these people came to realize the welfare and security of their existence.

Furthermore the New State of Manchoukuo is vitally concerned with the summum bonum of the people as well as the popular will. "All persons residing in the New State" shall enjoy "equal treatment" without distinctions of race or rank (civil status).

Again the primary concern of the New State is to assure peace and security to the people, with special regard to the popular will; and there shall be "no discrimination with respect to race and caste among those people who now reside within the territory of the New State." Utmost efforts shall be made along the line of administrative renovation. "The New State will dispel the policies adopted in the dark days of the past; it will revise laws, enforce local autonomy; draft able men into the service of the government; elevate the officials deserving promotion; encourage industry; open up the natural resources of the country; maintain a good standard of living; adjust and regulate the administration of the police; eliminate banditry; promote and popularize education."

In the New State, the principle of Wang-tao (Kingly Way) shall be applied and its teachings practiced. "In this way, the people will become educated and become prosperous and contented. The State can then assume its task of perpetuating the peace of the Eastern Asia and set up a model government," as vouchsafed in the Declaration.

In its external relations, the New State will be "winning the trust and respect of foreign Powers" through strict observance of international conventions. Financial obligations incurred "within the territory of

Manchuria" by treaty or loan agreements with various countries prior to the establishment of the New State "shall be succeeded and recognized in accordance with international usages," or shall be met according to the terms of those agreements.

Further it has pledged to pursue the policy of "open door and equal opportunity" in the economic realm and welcome investments by any foreign nation for the exploitation of natural resources. In this manner, the people of Manchoukuo have addressed themselves energetically to the task of founding an ideal State, of which they have long dreamed.

In the course of five years—a very short span of life indeed, in the light of the everlasting continuity of a nation—these people have already accomplished much, on which it is superfluous to dwell in detail.

All in all, facts speak louder. Any and every critic of Manchoukuo is advised to take glimpses of Manchoukuo, as it is to-day. Observe, if you may, Manchoukuo as it exists now and compare it with that of yesterday. Here is found a marvelous object-lesson, demonstrating what man can achieve, once he is determined to strive energetically.

In the old days, Manchuria was a synonym of a brigand-infested land. To-day peace reigns all over the land; internal security is no longer the question of that country. Marauders numbering 200,000 or more have disappeared. In their stead, the judiciary system has been installed and innovated to such an extent that the abolition of extra-territoriality is being called for—and this, is preceding even the Chinese Republic.

While many Powers are afflicted with the malady of red figure finance, Manchoukuo is graced by the black

figure finance of most sound nature, which enables the New State to conduct numerous enterprises and establishments. Local government of feudalistic type has been replaced by the autonomous government of modern form, while feudalistic militarism has been completely wiped out and substituted by the fighting services with modern equipment under centralized control. The unified currency system and the centralized credit system are other outstanding examples of successive achievements, which led certain foreign observers to acclaim "The establishment of Manchoukuo is worth while" in view of even these two monumental exploits. Such and other successes have unceremoniously belied the expectations of Lord Lytton.

The rapid advance made in the building of roads and railways is unprecedented in the history of communications of the world. The progress of communications and the reign of peace afforded an opportunity to put into execution some of the far-reaching plans for industrial development; and the five-year plan at the estimated cost of nearly 3,000,000,000 yen is now under way. Educational enterprises have been promoted, and elementary education fostered; while the Continental Science Institute and the Ta-tung Institute were set up. Recently, the Imperial Institute of Manchouchuo was inaugurated with the plausible aim of training leaders for the rejuvenation of Asia.

In its overseas relations, it is noteworthy that Manchoukuo was recognized formally or *de facto* by Japan and other countries like Salvador, Vatican, Estonia, Soviet Union, Germany, Italy, the Eastern Hopei Autonomous Government, with all of whom various connections have already been established. There are a number

of countries, which while giving no recognition to the status of Manchoukuo, are interested in the promotion of trade and investments there. Even China, a country bitterly opposed to the existence of Manchoukuo is keeping up its communications with Manchoukuo through the railways, customs and postal services.

To sum up, Manchoukuo was given birth under circumstances, which made her birth inevitable. It has remained true to the *raison d'être* of its birth. The result is the spectacle of an array of achievements in various fields of activities.

II

There is no denying the fact that Manchoukuo is such as she is to-day, largely because Japan had lent her helping hands in the way of sincere, immeasurable collaboration. Even in the future, it appears that Japan will not begrudge her continuous aid to Manchoukuo. Historical circumstances preceding and following the Independence had rendered such aid virtually necessary. At the same time, such assistance as has been given to Manchoukuo is merely a logical sequence of the reality of the situation, created by the close military and economic relations of these two countries, in addition to their spiritual solidarity.

In his Edict of Accession to the Throne, the Emperor of Manchoukuo enunciated in unequivocal terms his appreciation of the friendship and unstinted aid of Japan. In stressing on the perpetual relationship of good neighbourhood between Japan and Manchoukuo, he declared: —“Both with respect to long-sighted plans for national defense and far-reaching policy for the administration of the Nation, We depend much on the cooperation and

sympathy of the Japanese Empire."

On his return to Manchoukuo after a brief visit to Japan in the spring of 1935, when he was given hearty welcome everywhere, the Emperor of Manchoukuo issued another Edict, in which he voiced his true sentiments. The Edict reads:

"H. I. M. the Emperor of Japan and We are as one in spirit. Therefore, ye, Our subjects, bear this always in mind, and with the same virtues and in the same spirit, cooperate with Our friendly neighbour in establishing an everlasting foundation for the two countries, and exalt the true virtues of the East. Thus will the peace of the world and the welfare of mankind be promoted." (May 2, 1935)

In fact, Japan and Manchoukuo are linked by the bonds of spiritual unity, which in turn facilitates their mutual aids in economic and defense activities.

The common defense of Japan and Manchoukuo—or in actuality the defense of Manchoukuo—was carried out in virtue of the "Japan-Manchoukuo Protocol"; and such an undertaking of Japan was motivated primarily by the desire of salvaging thirty million people from the incubus of Red menace. Doubtless this course of action will insure the lasting peace of Asia..

It is granted that Japan, in her collaboration for the development of Manchurian industries through her colossal investments and through the inauguration of the Japan-Manchoukuo Joint Commission, may gain a due share of profits. But it is well to remember that the beneficiaries who gain the most direct and largest portion of profits are the people of Manchoukuo numbering 30,000,000.

Ever since the declaration of independence, the revenues of Manchoukuo have continued to increase, while the standard of living of the Manchoukuo people has

correspondingly risen from day to day. The people who were thrown into the abyss of misrule and dejected in their view of life, became inspired by a ray of hope, as they were enabled to exploit the rich, unlimited natural resources, which remained untouched from time immemorial. It is difficult indeed to size up the dimensions of the foundation thus laid up for the prospective renaissance of Asia.

Any well informed observer cannot but perceive the lofty, noble spirit of Japan prompting all her activities in Manchoukuo—the pulsating spirit unfathomable by a commonplace standard of egoism. We say this, because to bring up Manchoukuo means more than the promotion of welfare and benefits for the peoples of Japan and Manchoukuo, but it has vital relations to the destiny of Asia.

Under the pressure brought to bear on Japan by three Western Powers, she had to retrocede the Liaotung Peninsula to China, whereas the Imperialist Russia stepped in, ultimately exploding the Russo-Japanese War of 1904-5. The Soviet Republic which overturned the Czarist Russia harboured designs no less aggressive than those of its predecessors and set up a network of Communistic influence far and wide all over the realm of Manchoukuo. The Chang Regime was impotent to resist such a menace. The misrule of Chang Regime reduced the populace into misery and paved the way for the spread of Communistic ideas. Meanwhile, Nanking Government ever ready to cry out for its sovereign rights kept itself silent and abandoned the whole affair to the whim of the Chang Regime.

The Nanking Government had hitherto made no remonstrance, even in the face of the actual, wholesale

Sovietization of the Outer Mongolia. Should Manchuria be neglected and deserted as in the case of Outer Mongolia, it would certainly become a source of colossal calamity in the Eastern Asia.

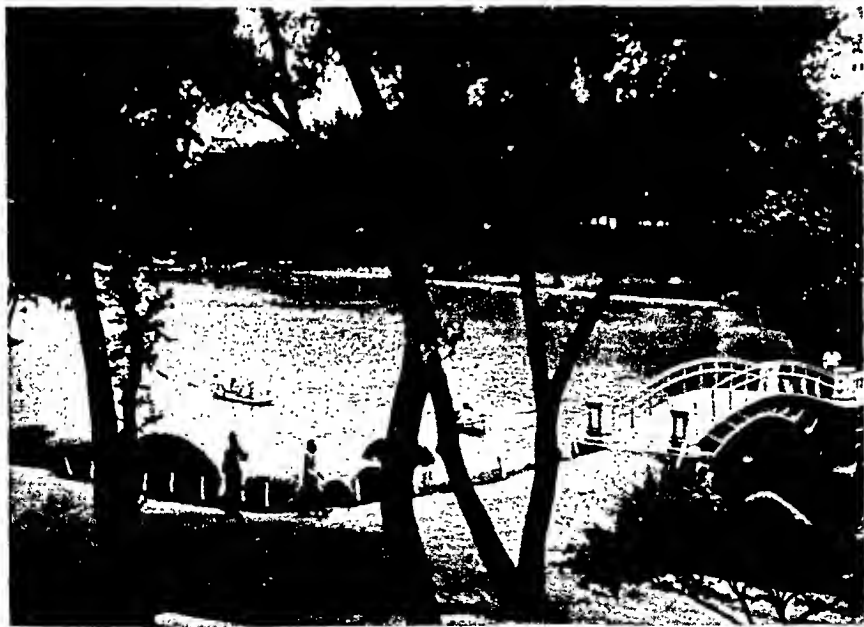
In the midst of such conditions was born the Manchoukuo, which proved a barrier or more properly a break-water against the onrush of the surging Red waves. It is an event worthy of felicitations, not only to the Eastern Asia, but also the whole humanity.

Manchuria was fated to be subject to spoliation of the Western Powers as well—not to say Soviet Union. It is needless to dilate on how bitter were the struggles, how sinister the chicanery of the Western Powers, who even though pampered by their extensive territories and their vast colonial possessions, remained yet unsatiated and ventured forth their tentacles of greed to Manchuria. Withal, the Chang Regime susceptible to the lure of personal gains, readily succumbed to the ominous temptations and went to the length of extending the hand of welcome to those tendentious gestures of the West.

Manchuria was for decades placed under the ægis of the Open Door Doctrine. The true meaning of the Open Door Doctrine lies in this, that it is dedicated to the promotion of happiness and interest of the people residing under its influence. It attaches a cultural significance, only when it is construed as in above connotation. But the attitude of the White races to other races, especially to the Asiatic races, was essentially that of exploitation and plunder. The aggression of the Czarist Russia is typical one. Should several "Czarist Russia" ever make their debut in Manchuria and contend for the mastery or the lion's share, Asia would be turned into a scene of tumult, anarchy and holocaust.



*Harmony of the Five Races—Japanese, Korean, Manchu, Chinese and Mongolian—the guiding principle of Manchoukuo's administration
(Fresco in the State Council Building)*



Springtime in a Hsinking Park

Attacked by the Communists on the one hand, and subjected to the barrage of the Western Capitalism on the other, the constituted authorities in Manchuria remained powerless to resist and even lacked the will to resist.

Dismal, sombre clouds about to threaten whole Asia were rising up in Manchuria. However, the timely advent of Manchoukuo speedily cleared away such ominous clouds and dispelled the overwhelming unrest of Asia.

The advent of Manchoukuo accelerated thus the rejuvenation of Asia. Asia, long regarded as a happy hunting ground, an object of exploitation,—Asia tremulous at the impending sight of depredation in the hands of Western Powers—was enabled to enjoy a volt face or an opportunity of creating its own civilization and developing its resources by its own strength. And this is due veritably to the birth of New State.

Little wonder then, Japan had staked her national existence and bent all her energies for the growth of Manchoukuo. Little wonder again, the precious blood of her sons were spilled all over the vast plains of Manchoukuo.

The growth of Manchoukuo has contributed primarily to the reawakening of Asia; it has also conferred not inconsiderable quota of the increase of foreign trade upon the Western countries.

As mentioned elsewhere, Manchoukuo welcomes investments from the West. The newly established State has made all investments and undertakings safe and secure. That the total volume of her trade was augmented is beyond dispute, in the light of statistical figures. At least the demand for raw materials has been met to such an extent that it cannot, in point of quality

as well as quantity, be compared to that of the period under the old Regime.

Viewed from this angle, there is every reason to believe that Western Powers should be appreciative of the independence of Manchoukuo. Their assumption of blindness to the reality of facts under the spell of past circumstances would mean only a self-deception as well as a stultification of others. Should such be the case, no commendable outcome, be it noted, can ever be expected.

III

As regards the independence of Manchoukuo, a number of arguments and counter-arguments were advanced from the standpoint of international law or the interpretation of international treaty. For these controversies, Japan has provided from the beginning very lucid expositions, which it is needless to reiterate, in as much as the existence of Manchoukuo is *fait accompli* lasting nearly five years.

Nevertheless, Nanking Government is still attempting, whenever an opportunity offers, to denounce Manchoukuo, probably on the plea that she be regarded in the same category as that of the local Government of Hopei-Chahar or of the East Hopei. Often it pretends purposely to overlook the reality of the case. Despite its oft-repeated pronouncements to the effect that it is for the best interest of China and Japan to set aside the Manchoukuo issue, the Nanking Government is reported to be attempting, simultaneous with the resuscitation of anti-Japanese sentiments, not only to repudiate Manchoukuo negatively, but also undermine her foundations in positive manner.

Outer Mongolia and Hsin-kiang are the regions of far

wider territorial extent; yet they are with impunity and utter complacency left in the hands of Soviet Union; while Tibet is also given up to the domination of England. Nevertheless, China would single out Manchoukuo alone as her implacable foe and embark upon its destruction. Such motive is believed to be ascribable to her inordinate desire to hamper Japan.

Japan is assisting Manchoukuo in every way; but she is not dependent on the latter. Suppose for a moment Japan might by any possibility have to withdraw herself from Manchoukuo, and the latter be subjected to the fatal dissolution at the mercy of China! What will ensue then?

In all probability, Manchoukuo will become a powder-magazine of Asia. It is too plain to foretell that the New State will become a powder-magazine of the whole world, liable by a single spark of turning the whole of Asia into the scene of fratricidal carnage and also of dragging the whole world again into the darkness of despair.

Historically, Manchuria was the hereditary property of the Manchurian people. At the incursion of Manchurian kings into Peking, from which city they ruled the whole of China, Manchuria was made a forbidden territory, or an exclusive "Crown Colony." Manchuria and China became a sort of confederation under one Sovereign. In another word, Manchuria conquered China, but never did China subjugate her as Chinese dominion or possession. Manchuria and China were affiliated for nearly three hundred years by virtue of the Manchu Dynasty. With the downfall of Manchu Dynasty, China set herself free from the bondage.

Hence, the independence of Manchoukuo does not

signify her isolation or secession from China; it simply means the remodelling of her historical existence in the garb of "modern state."

Since the establishment of Manchoukuo does not connote the disruption of China, nor the loss of that which she had possessed, it is not to be regarded as equivalent to the "loss of face" on the part of China.

As a matter of fact, Chinese inhabitants numbering more than 20,000,000 or the kinsmen of Chinese in China Proper, are now daily enjoying peaceful, happy livelihood, which was not dreamed of in the pre-independence days.

Is it too much to expect that China would rather felicitate heartily the people of Manchoukuo and promote her friendship with them, while consolidating their mutual relations, especially when the regime of Manchoukuo, constituted as it is to-day, has been fully supported by the general will of the entire population, even though there were some dissentient, recalcitrant elements at the beginning of the new Administration?

The people of Manchoukuo are engaged of their own accord in the formulation of their administrative measures for their own interests and also in going their own ways. Is there any ground on which to justify the obstruction of such a spontaneous development of the people?

Furthermore, their fundamental ideas of government are based on Wang-tao, "the Kingly Ways." The Government derives its authority from Heaven, as mirrored in the Popular Will. Heavenly Will is, in short, the Supreme Reality, or the Divine Will. The classical adage reads "Heaven does not speak. It causes Man to speak." General Will of the people is tantamount also to the Divine Will. The essence of the Wang-tao

Government exists in the realization of ideal government based on theocracy (the Unity of Gods and Man). China may be able to exalt fully her qualities and possibilities of a great nation, in proportion as she will aid the Wang-tao Government in Manchoukuo at work.

Some people hold that Manchoukuo is a territory of China, since the bulk of her population are composed of Chinese (the Han race). However, such a contention is wholly untenable, in view of what has already been referred to. If it can be maintained that Manchoukuo is a Chinese territory, because Chinese people have penetrated beyond the Great Wall into the forbidden territory of Manchuria, we might as well be warranted in counter-arguing to the effect that the United States shall be made an British territory; the Latin American countries a Spanish territory; or the Island of Hawaii a Japanese territory. Likewise, the Mongolian region now presumed to be Chinese territory may have to be returned to the Mongolians; and the large portion of frontier regions to the Miao tribe, the Mohammedans and Tibetans respectively.

Obviously, the growth and progress of Manchoukuo has brought about considerable benefits to China, a neighbour most directly interested therein. The conclusion of treaties regarding the through traffic and through postal services is self-explanatory of the close relationship of these two countries. They are kin and kith in their racial relationship; furthermore, they are cemented by the inseparable bonds of economic and industrial nature. There are no reasons whatever that they should be opposed to each other. By and large, China is ordained by destiny to advance, correspondingly with the progress of Manchoukuo.

It goes without saying that remittances sent from inhabitants in Manchoukuo to North China, as well as cash carried back home by the Chinese immigrants were the source of boom to Chinese in the North China, ever cursed by the overpopulation and famines. This is only one instance out of many. It simply illustrates that the bulk of Manchurian inhabitants are Chinese, closely bound by the ties of various inter-relationships. The upshot of all is that such a contingency makes China happily a beneficiary of advantages accruing from the growth and progress of Manchoukuo, and never a recipient of disadvantages and inconvenience arising therefrom. Hence, any move or design calculated to plunge the New State headlong into vortex of disorder cannot but be branded as a conspiracy of suicidal nature.

In particular, the security of Manchoukuo is a question, on which Japan cannot look with something of equanimity or indifference, as she is vitally concerned in all phases of the situation in the capacity of a neighbour. The same may be said of China. Herein lies the *raison d'être* of Japan's titanic struggle in the past even at the risk of her national existence.

Is it conceivable that Japan, who struggled for Manchoukuo at enormous sacrifices entailing the loss of three hundred thousand precious lives and the expenditure of huge sum of more than ten billion yen, inclusive of military expenses, investments and the cost of other enterprises, would allow the New State thus steadily built up to collapse into non-entity, or be blown up to four winds for nothing?

In relation to Manchoukuo, Japan has already made firm determination after forty odd years of vicissitudes.

Little wonder is it that her will in connection therewith is growing daily firmer.

It bears repetition that the question under review involves not only the destiny of Japan, but also the very fate of Asia. It is the hinge upon which hangs the life of Asia. Therefore, should any country harbouring malicious designs ever tamper with it, some tragic disaster will surely ensue therefrom.

All sensible, forward looking peoples in Asia—except those Communists or those susceptible to the Communist agitation—are fully conscious of the necessity of bringing up the young State known as Manchoukuo. They are keenly alive to the fact that the only way of insuring the future peace of Asia is to tender the young State every timely assistance. On the contrary, any secret act conducive to the subversion of Manchoukuo shall be duly construed as a misdeed sowing seeds of suspicion and dissension among Asiatics.

Asia is now awakening with undreamt of rapidity. It is no longer the colonial appendages of Western Powers nor their possessions. Should there be an activity aimed at suppressing the renaissance movement, or alienating those people engaged in the promotion of such a movement—a movement, the sole purpose of which is to contribute, under the inspiration of culture of three thousand years, its own share to the sum total of human civilization—then such an activity shall be condemned as heinous crime against the cause of humanity. A person who may approve of such a perfidy shall be ostracized as a traitor to humanity.

AN OUTLINE OF THE MANCHOUKUO-SOVIET BORDER CONTROVERSY

I. THE RISE AND FALL OF RUSSIAN AND CHINESE INFLUENCES IN THE FAR EAST AND CHANGES IN THE BOUNDARY

"The history of Russia is the history of a country that is being colonized. Falling at times and rising at times, this everlasting movement has continued up till the present day." So writes Kliuchevsky in his *History of Russia*.

Originating in Bessarabia, the Russian race had by the end of the 17th century expanded throughout the vast territory extending eastward as far as Kamchatka. During the period between 1581 and 1585, the Volga Cossack, Ermak, with a small number of followers and with reckless courage and perseverance, had subjugated the inhabitants along the banks of the Tobo and Taara Rivers, tributaries of the Obi. After his death, many expeditions followed in his footsteps, each one advancing farther eastward than the one preceding. Entertaining the unreasonable belief that the various races in Siberia should pay tribute to the Emperor in Moscow, these expeditions conquered one race after another; and during the thirty-five-year reign of Emperor Mihail Feodorovitch (1613-48) of the Romanoff Dynasty, they succeeded in conquering the vast territory stretching from the Obi River to the Pacific Ocean and in subjugating the Samoeds, Tungus, Yakuts, Buriats, Daurians, and the Koriaks. As reasons for these successful conquests may be given: possession of firearms, patriotism and a sense of Christian superiority. It is, however, an undeniable fact that the "yassak" (tribute in furs)

collected from the conquered races, proved a no small factor in increasing their lust for conquest. Concerning the conditions existing at that time, *The S. M. R. Survey Report* states :

The chaotic sight of magistrates, village officials, Cossacks, sharpshooters (regulars of that time), merchants, hunters, Government farmers, exiles and free immigrants overrunning the whole of Siberia and fossicking for profit by inhuman exploitation of the native tribes as beasts depicts the actual situation in Siberia of that period.¹

In order to lure their fellow-countrymen of Tsari to migrate to Siberia, these "pioneer immigrants" made raids upon the natives, took as hostages those who were wealthy or held high positions, and obtained as ransom for their release furs, valuables, live-stock, cereals and almost anything they could possibly lay their hands on. A part of this ransom they sent to Tsari or to their superior officials as presents; the rest they kept for themselves to satisfy their greed. In case the native tribes refused to accede to their demands, the invaders massacred the male population, enslaved the women, and inflicted brutal punishment upon the traitors. So notorious were the Russians for their brutality that the Sanskrit word "locha," meaning a demoniac god of the barbarous cannibals, was a popular name by which they were known at that time.

The invasion and the subsequent occupation of the Amur River basin by the Russian hordes inevitably brought them into conflict with China, ruled at the time by the Ching Dynasty which had been receiving tribute from the inhabitants of that region. With a magnanimity befitting a great nation, China then was pursuing an extremely humanitarian racial policy while content-

¹ Volume 17: "A Study of Recent Russo-Chinese Relations."

ing herself with a traditionally defensive attitude towards other nations. True to her benevolent policy towards the people owing fealty to her, she came to the rescue of the inhabitants of the Amur basin to free them from the Russian invaders. After first issuing an order for their evacuation to safer regions within the kingdom, China opened hostilities against the invaders. Thus Russia, the conqueror of all the races in Siberia, for the first time found herself confronted with a mighty enemy in China. At the end of a long struggle with China, which continued for over three decades (1652-86), Russia awakened to the realization that all factors considered, including her 17th century weapons and the racial and national consciousness of her people, her eastward advance had reached its limit. The result was a reorientation of her policy towards one of peace.

The capitulation of the Arbazin Fortress—a noted historical event in the Russo-Chinese struggle of the 17th century—afforded the Russians an excellent opportunity to discuss peace terms with China. The thirty-year struggle was brought to an end by the signing of the Nerchinsk Treaty which settled their respective spheres of influence. Although it is said that China made the first peace overture, it is a fact that Russia had by that time already inclined towards conciliation.

At the peace conference, held in Nerchinsk, the Russian delegation was headed by Golovin, who left Moscow towards the end of January 1686, accompanied by his suite and a bodyguard of 500 soldiers. The head of the Chinese delegation was So E-tu, who left China in May, 1686, with an escort of 800 soldiers. It took a long time for the two parties to get in touch with each other owing to defective means of communication, and

near the Amur River, and flowing into the sea, and of all land between the Uji River and the border mountains shall be decided upon at a proper time in the future.

- (3) The Argun River, which empties into the Amur, shall also form the boundary between the two countries.

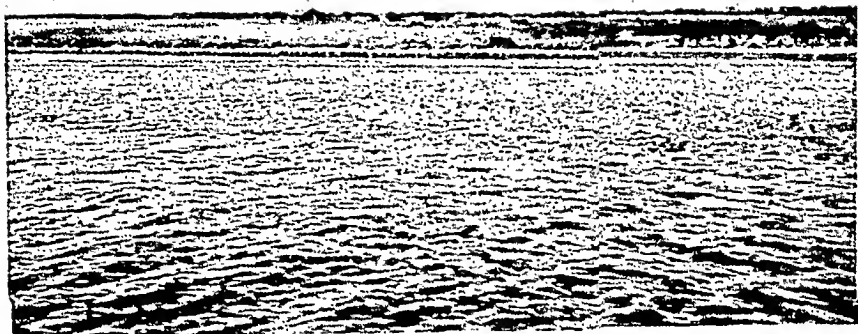
- (4) The Arbazin Fortress shall be destroyed.

(In addition an agreement was also reached regarding communications between the two countries. The above data are obtained from the publication of the Russian Foreign Office on Russo-Chinese treaties.)

By the conclusion of the Nerchinsk Treaty, China realized her long-cherished desire of having the Argun River established as her northwestern frontier and of gaining possession of the Amur River basin, thus nullifying Russia's thirty-year efforts to acquire the extensive and fertile farming land along the Amur River. However, what Russia desired most at that time was the opening of trade with China, and simultaneously with the conclusion of the above treaty, overland trade which later developed into a thriving condition was started between the two countries.

The ownership of the vast tract of land near the mouth of the Amur River was left undecided. Although it constitutes a question of great importance when viewed in the light of conditions today, both Russia and China at the time of the conclusion of the Nerchinsk Treaty had no special interest in that region, the importance of which was regarded as being not equal to that of the Arbazin Fortress.

The next important event in Sino-Russian relations was the conclusion of the Pula Treaty in August 1727—38 years after the signing of the Nerchinsk Treaty—under which the Argun River was definitely adopted as the western boundary between the two countries.



Heihsiatzu Island, triangular delta at the confluence of the Amur and Ussuri Rivers, over the ownership of which no satisfactory agreement has been reached between Manchoukuo and Soviet Russia



The Amur River, which forms the northern boundary between Manchoukuo and Soviet Russia, and Blagoveshensk, as seen from the Manchoukuo bank of the Amur

October of the same year saw the conclusion of the Chiakotu Treaty which settled the Outer Mongolian frontier west of the Argun. These treaties may be regarded as having clarified, in written form, the Russian and Chinese spheres of influence. An explanation of the Chiakotu Treaty will not be made here as it deals chiefly with Russo-Chinese trade relations.

Generally speaking, for about 150 years after the conclusion of the Nerchinsk Treaty, a balance was maintained between Russia and Chinese influences in the Far East, Russia giving up all ambitions of occupying the Amur region. However, with the advance into the Far East of Great Britain, France and other powers about the middle of the 19th century, Russia, for political reasons, found herself faced with the necessity of gaining possession of the above district in order to strengthen her defences in the Far East. China at that time was too preoccupied otherwise to establish strong government in the Amur region, and the only establishments she had there were those for frontier defence. Russia, on the other hand, utilizing her powerful army to advantage, launched steadfastly upon her program of territorial aggrandizement. Finally in May, 1858, the Aihun Conference was called.

At this parley, Russia was represented by Nikolai Mouravieff, Governor of East Siberia, and others, and China by General I Shan, Commander of the Heilungkiang Garrison, and Chilaminga, Vice-Governor of Aihun. China had not yet recovered from the disastrous effects of the Taiping Rebellion (1833-48), and in Kirin and Heilungkiang Provinces there was a serious shortage of troops and provisions. Taking advantage of her weakness, the Russian delegation, with a powerful army at

its command, cowed the Chinese delegation into accepting its demand for the cession to Russia of the entire territory on the left bank of the Amur River, extending from the Argun River to the mouth of the Amur.

As she had no special interest in the Amur region since the conclusion of the Nerchinsk Treaty, China was at first unaware of the grave significance of the Aihun Treaty but it was not long before she became conscious of it. General I Shan and Chilaminga were held responsible for China's failure at the conference and were punished. China even issued a statement announcing her non-recognition of the transfer of the Amur district to Russia. Mouravieff and the other Russian delegates, on the other hand, were accorded the highest honors by their Government.

On June 13, 1858, only a month after the signing of the Aihun Treaty, the Russian representative, Poutiatin, who had diligently been conducting negotiations with the Chinese authorities for the conclusion of a most-favored-nation treatment agreement, surprised Britain, France and the United States by signing the so-called Tientsin Treaty, an epochal event marking the establishment of formal diplomatic relations between Russia and China. The urgent necessity of concluding an agreement for definition of that portion of the boundary between the two countries which still remained un-demarcated, was mentioned in Article 9 of the Treaty. However, as Poutiatin was at that time still unaware of the conclusion of the Aihun Treaty, the Aihun Treaty is today regarded as a supplementary agreement to the Tientsin Treaty.

China's announcement of her non-recognition of the Russian occupation of the Amur district, however, gave

rise to a fresh controversy, and after one year of fruitless negotiations (June 1859 to May 1860), diplomatic relations between the two countries were finally severed. Just at this time matters between Britain and France, on the one hand, and China, on the other, came to a head over the question of ratification of treaties, the two European Powers opening hostilities against the Celestial Empire. The Russian Minister to China, Ignatieff, intervened in the conflict and, taking advantage of the favorable turn of the feelings of the Chinese Government and people toward Russia, succeeded in concluding the Peking Treaty with China. The Treaty stipulated that the Ussuri River, Lake Khanka (Hsingkai), and the Paileng, Huputu, Hunchun and Tumen Rivers shall form the boundary between the two countries and that the territory lying to the east of these rivers shall belong to Russia and that to the west, to China. Under this pact approximately 1,000,000 square kilometres of territory were definitely brought under Russian sovereignty. The present boundary is on the whole based on the Peking Treaty and although various supplementary treaties have been concluded since, no basic changes in the boundary have been made. In short, the two incidents, namely, the Taiping Rebellion and the Anglo-French armed expedition to China, proved very costly to China in that by a single treaty, she had lost to Russia an extensive colonial territory.

Beginning from the latter part of the 19th century, Russian immigration to the Far East increased by leaps and bounds. To quote from Kliuchevsky's *History of Russia* (p. 25):

Russian immigration to Siberia, which did not exceed 2,000 annually before 1880, reached 50,000 in 1890, and increased.

still further to 200,000 in 1896—the year of the completion of the Siberian railway.

Although Russo-Chinese relations entered into a state of comparative lull after the conclusion of the Peking Treaty, occasional disputes concerning navigation rights and immigration broke out owing to disagreement over the names of certain rivers mentioned in the treaties concluded between the two countries.

II. THE PRESENT BOUNDARY BASED ON TREATIES

The present boundary between Manchoukuo and the Soviet Union is based on treaties concluded between China and Russia to which the Manchoukuo Government succeeded, as stated in the communique issued, simultaneously with the foundation of the new State in March 1932, to the Foreign Ministers of various powers to the effect that "Manchoukuo shall succeed to those liable obligations due to the Republic of China by virtue of treaty stipulations with foreign countries, in the light of international laws and conventions and that these obligations shall be faithfully discharged."

As previously mentioned, the Peking Treaty, of November 14, 1860, supplementary to the Tientsin Treaty, was the final basic agreement defining the Russo-Chinese boundary. It stipulated that the three large rivers—the Argun, the Amur and the Ussuri—shall form the boundary between the two countries. Parts of the treaty containing direct reference to the demarcation of the frontier are:

.... the western frontier between the two Empires, beginning from the confluence of the Shilka and the Argun Rivers, shall follow the course of the Amur River up to its confluence with the Ussuri. The territory on the left (northern) bank of the Amur shall belong to the Russian Empire, while that

on the right (southern) bank, up to the mouth of the Ussuri, shall belong to the Chinese Empire. Further, from the mouth of the Ussuri River to Lake Khanka, the frontier shall follow the course of the Ussuri and Sungacha Rivers. The territories on the eastern (right) banks of these rivers shall belong to the Russian Empire, and those on the western (left) banks, to the Chinese Empire. Furthermore, the frontier between the two Empires shall cut Lake Khanka and run to the Paileng River, then, from the mouth of the latter, over mountains to the mouth of the Huputu River, and from there over the mountain range situated between the Hunchun River and the sea, to the Tumen River. Here also, the regions to the east of the frontier shall belong to the Russian Empire, and those to the west, to the Chinese Empire. The frontier shall end at the Tumen River, 20 Chinese "li" above its mouth.³

The western frontier, hitherto undefined, shall henceforth follow mountains, big rivers and the line of the still existing Chinese pickets, beginning from the last frontier-mark, called Shahintapaha (erected in 1728 in accordance with the Kiakhtha Treaty), towards the southwest to Lake Tsaisang; from there the frontier shall run to the Tengrishan, also called the Tien-shannanlu (meridional branches of the Celestial Mountains), south of Lake Issykkoul to the Kokand possessions.⁴

.... due to the establishment of the new frontier line, the regulations in the Nerchinsk and Kiakhtha Treaties and in their supplementary treaties shall henceforth become inapplicable.⁵

The boundary as stipulated in the Peking Treaty differed considerably from that prescribed in former Sino-Russian treaties. Under the Nerchinsk Treaty, signed in 1689, a mountain range considerably north of the Amur River marked the frontier. The Aihun Treaty of 1858 brought the border line south to the Amur, but contained special provisions under which Russia recognized China's special interests in the Chinese colony northwest of Heiho on the other side of the Amur.

³ Article 1 of Peking Treaty. Translated from Russian.

⁴ Article 2 of Peking Treaty. This article, with the exception of a part referring to the Russo-Manchurian frontier, concerns with the Outer Mongolian border.

⁵ Article 9 of Peking Treaty.

Furthermore, it did not specify the ownership of the immense territory lying between the Ussuri River and the sea. The Peking Treaty and other agreements concluded after it will be next explained in their relation to the Russo-Chinese frontier.

1. *The Eastern Boundary.*

In accordance with the provisions of the Peking Treaty, a mixed Sino-Russian committee, after conducting a survey of the eastern border in 1861, the year following the signing of the above treaty, erected wooden posts (marked in Russian alphabetical order) along the eastern frontier and recorded their location on a map. Copies of the map, together with a protocol, known as the Lake Khanka Treaty, were exchanged between the two countries. The protocol was so named because it was signed at Pailengho, on the shore of Lake Khanka.

As many of the wooden posts decayed in the years that followed, making the frontier indistinguishable, a Sino-Russian conference, attended by Baranoff and Wu Ta, was called in May 1886, 25 years after their erection, for the purpose of replacing them. As the result of an agreement reached at the conference—the final agreement to be concluded in regard to the eastern border—stone boundary-marks were newly erected at spots where the border had become indefinite. The boundary-marks replaced at that time, it is said, were the T mark on the bank of the Tumen River, the R and S marks located between the T and P marks, the M mark standing between the L and N marks, and the O mark which was removed to the mouth of the Huputu River from Hsiankushan. In addition, 26 new frontier posts, numbered from 1 to 26, were said to have been erected between the boundary-marks T and K, between Lake Khanka and

the Tumen River, but no data showing their exact position are available. According to data compiled by the Chinese authorities in 1914, the positions of the boundary-marks, many of which have disappeared, were as follows :

Boundary-Marks	Existing or Disappeared	Location
T (also T in English)	Existing	At the northwestern foot of Mount Wofeng, on the eastern bank of the Tumen River
No. 1	Existing	At Yangkuanping, north of Shakangtzu
No. 2	Existing	At Ikangtsui
No. 3	Disappeared	On Mount Paerhshih
No. 4	Existing	On a mountain located east of Chitao-paotzu
No. 5	Disappeared	On a mountain located east of Liutao-paotzu, at the foot of Mount Machiuning
No. 6	Disappeared	On a mountain located east of Wuchiatsu
No. 7	Disappeared	On a mountain located south of Hochang-tzukou
No. 8	Disappeared	On a mountain located south of Santao-hotzu
No. 9	Disappeared	At Fotoshibling
No. 10	Disappeared	At Yentungchetsusikouling
No. 11	Disappeared	At Hulupiehnikouling, at the source of the Yenchu River
No. 12	Disappeared	At Nanpiehlikouling
No. 13	Disappeared	At Sipeikouling
No. 14	Disappeared	At Chihtzuyinkouling
No. 15	Disappeared	At Peikouling
C (S in English)	Existing	At Achimiling
No. 16	Disappeared	At Lishukouling
P (R in English)	Existing	On the summit of a mountain located at the source of the Mengkuchieh River
II (P in English)	Existing	At Laosungling, a ridge at the source of the Huputu River
O (also O in English)	Existing	On a precipice on the northern bank of the Suifen River, northwest of Wuchekou
No. 17	Disappeared	At Pataohotzukaoling
No. 18	Existing	On the east side of Kungssuling
No. 19	Existing	At Pingkangshang
No. 20	Existing	At Pingshanling
H (N in English)	Existing	At Hengshanhuichu, near the Nancha River
No. 21	Existing	At the watershed of the Muleng and Siyang Rivers

Boundary-Marks	Existing or Disappeared	Location
No. 22	Unknown	At the source of the Hsiasiyang River
No. 23	Unknown	At the source of the Amenoishka River
M (also M in English)	Disappeared	At Laohushanpingkang, a ridge on the frontier
No. 24	Disappeared	In the northeast of frontier-mark M
No. 25	Disappeared	At the source of the Tula River
J (L in English)	Existing	On the summit of a mountain at the source of the Paileng River
No. 26	Disappeared	On the bank of the Paileng River
K (also K in English)	Existing	At the mouth of the Paileng River on the northern bank

Fifteen frontier-marks were discovered at the time of the above survey, which was made 23 years ago, but since then some of them are believed to have been lost.⁶

With the exception of two places, the frontier running north from Lake Khanka is clear in that it follows the Sungacha and Ussuri Rivers. Boundary-mark II (I in English) was at first erected in the vicinity of Hsiao-lungwang-miao, on the northern bank of the Sungacha River near its mouth, but was later carried away by a flood together with the temple, and at present it stands at a point 200 paces up the river from its mouth. Frontier-mark E (also E in English) was at first erected at the mouth of the Ussuri River on the eastern bank, but it was later removed to the Khabarovsk Delta, the ownership of which is today the subject of controversy between Manchoukuo and Soviet Russia. This question will be treated in the following paragraphs.

2. The Northern Frontier.

By the "northern frontier" here is meant the boundary-line stipulated in the Aihun Treaty, namely, the boundary following the course of the Amur River from the confluence of the Argun and Shilka Rivers to the

⁶ The location of No. 4 frontier-mark is unknown.

junction of the Amur and Ussuri Rivers. Although the northern frontier, being a natural boundary, is comparatively clear, there are several hundred islands dotting the Amur (including nine large ones, the length of each of which is more than ten kilometres), the ownership of which has not yet been settled. There has been much controversy especially as to the ownership of the large triangular delta at the confluence of the Amur and Ussuri Rivers, known as the Khabarovsk Delta, or Heihsiatzu Island in Chinese. This island is about forty kilometres long and five kilometres broad. Though occupied by the Soviets, the delta, in the light of the Aihun and Peking Treaties which stipulate the main streams of the Amur and Ussuri as forming the boundary, rightfully belongs to Manchoukuo. In view of its strategic importance to the Khabarovsk Fortified Zone, Soviet Russia, however, contends that the Kazakevitch Channel, which separates the island from the mainland, is the main stream of the Amur. But on the other hand, Manchoukuo, basing her arguments on the above treaties, filed on November 12, 1934, a strong protest with the Soviet Union against its unlawful occupation of the delta. Consequently so long as no satisfactory settlement is reached concerning the ownership of the island, it is not difficult to imagine that the delta will continue to form the seed of dispute between the two countries.

3. *The Western Frontier.*

The Pula Treaty by which the frontier to the west of the confluence of the Amur and Argun Rivers was demarcated, was concluded on August 20, 1727, and two supplementary protocols attached to it were signed at Abakaitu on October 12 of the same year. The latter in turn were supplemented by the Tsitsihar Treaty con-

cluded at Tsitsihar in December 1911, but the Pula Treaty and its protocols today still serve as the basic agreement on the western boundary. Its first protocol concerns the boundary between Chiakutu and Abakaitu and the second, to the Outer Mongolian-Russo-Chinese frontier extending west from Chiakutu to Shahintapaha and Kontaishin.

Under the Pula Treaty, 15 observation posts and 63 boundary-marks were erected between Chiakutu and Abakaitu, the positions of which were recorded in the Treaty. Of these frontier-marks, six are found on the Manchoukuo-Soviet border:

Frontier-mark 58 (Tarbagadakh), on a plain north of the sentry-box bearing the same name.

Frontier-mark 59 (Tsaganola), on the top of Shala Hill, located north of Mount Tsaganola.

Frontier-mark 60 (Taboontologoi), on a hill north of the Taboontologoi sentry-box.

Frontier-mark 61 (Soktu), on a hill north of the Soktu sentry-box.

Frontier-mark 62 (Irdjnitologoi), on a hill near the Irdjnitologoi sentry-box.

Frontier-mark 63 (Abakaitu), on a hill on the west bank of the Argun River, opposite the mouth of the Hailar River.

The so-called Tsitsihar Treaty, which supplemented the Pula Treaty, is an abbreviated name for "the Treaty concerning the Sino-Russian frontier between Tarbagadakh and Abakaitu and the demarcation of the frontier following the course of the Argun River up to its confluence with the Amur River." It aimed at clarifying former agreements concerning the boundary as well as the ownership of some 280 islands in the Argun River.

By this agreement, it was decided that 160 of the islands belonged to Russia and 120 to China. However, since the Treaty was not ratified by the Chinese authorities, its validity is regarded doubtful.

III. THE BORDER POLICIES OF MANCHOUKUO AND THE U. S. S. R.

Inasmuch as Russia has been hemmed in by the frontiers of her neighbouring states ever since the days when she was recognized merely as the Grand Duchy of Moscow—through the transitory period of the Czarist Régime to the present Union of the Socialist Soviet Republics—she has undergone varying political and diplomatic experiences with her adjoining states. These experiences have made her realize only too well that armed force alone can act as the final and authoritative demarcator of frontiers. Thus, when Soviet-Japanese relations became strained, Russia assembled in her Far Eastern territory a huge army, the present strength of which is estimated at 400,000 men, consisting of regular troops, militia (local garrisons) and police (former G. P. U.). Equipped with 1,000 fighting planes, a similar number of military motor cars and other offensive weapons, the Far Eastern Army is prepared to meet any attack on the Russian frontier. The double-tracking of the Siberian Railway, which skirts the Manchoukuo-Soviet border, has been completed, fortifications and aerodromes have been constructed at strategic places such as Khabarovsk, Blagoveschensk, Iman and Nikolskussuriiski, enabling the Soviets to assume a tigerish attitude toward the practically unfortified Manchoukuo. It admits of no doubt that the Soviet military menace is the prime cause of the uneasiness which now prevails in the border districts.

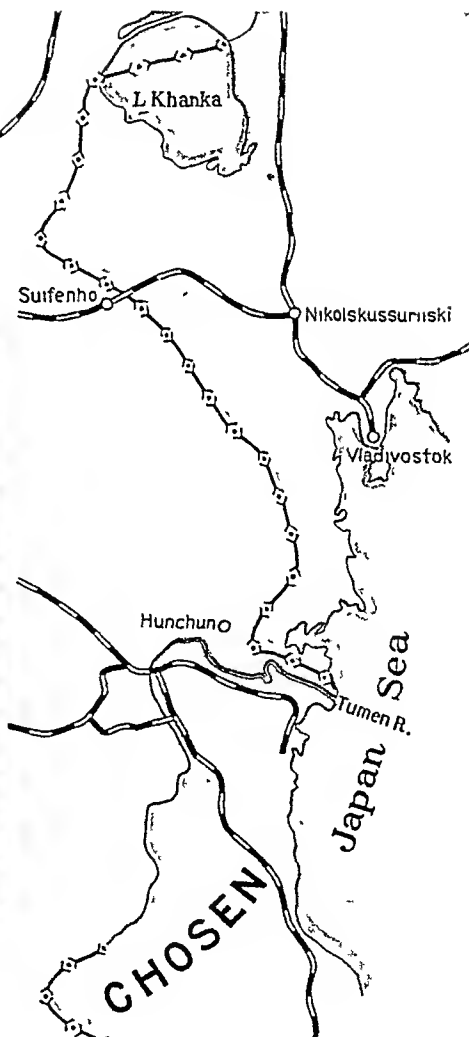
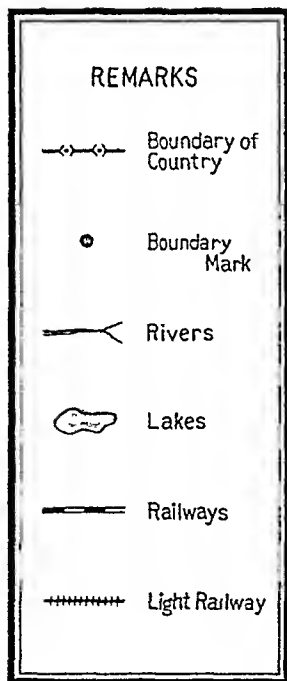
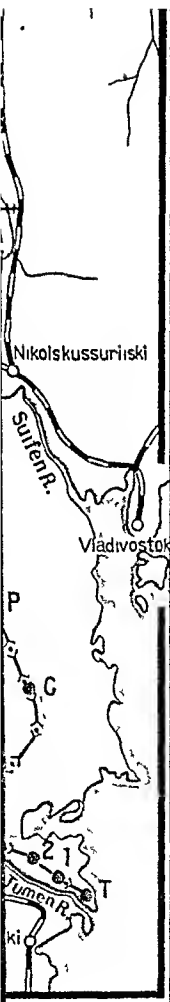
The open letter sent to the Soviet Dictator, Joseph Stalin, by the Special Soviet Congress of the Far Eastern Region, which was printed in the Nov. 14, 1936 edition of the *Izvestia*, an official organ of the Soviet Government, contains the following challenging words and tells the whole story of the Soviet frontier policy:

....the Far Eastern Region has now become the outpost of Communism in the Orient. We cannot yield even an inch of this territory to any hostile power. Soviet Russia's frontiers have been strengthened with steel and concrete and, with vigilant eyes, the officers and men of the Far Eastern Special Red Army and the Pacific Fleet are ever guarding the frontier. The manoeuvres held by the Far Eastern Army and the Pacific Fleet this autumn have fully displayed the efficiency of the new defensive tactics and of the well-trained officers and men. If a war should break out in the Far East and our frontier be violated by enemy troops, we will annihilate them within their own territory....

An idea of the formidable Soviet military strength behind the frontier may be gained from the foregoing paragraphs. An outline will next be made of the Frontier Defence Law proclaimed by the Central Executive Committee on September 7, 1923, for the specific purpose of guarding the far-stretched frontiers of the Soviet Union. The characteristic of this law is that without any agreement whatever between Russia and her neighbours, it defines the most positive and safest means of safeguarding the frontier. That is to say, it totally disregards the accepted conceptions of international law. The articles in the first chapter of this law give a general outline of the frontier, with the opening article stating as follows:

The frontier is indicated by special boundary-marks or natural boundaries and shall not be changed without the resolutions of the Central Executive Committee of the U. S. S. R.

Article 2 states:



Boundary lines fixed by the courses of rivers or the shores of lakes will not be affected by any natural changes in the flow of rivers or in the water-level of lakes and will therefore remain permanent.

Article 4 stipulates that "the patrol, except that of pure military nature, of the land and sea frontiers shall be entrusted to the police." Their duties are prescribed in Article 5 as follows:

1. Prevention of political smuggling.
2. Prevention of economic smuggling.
3. Prevention of encroachment and aggression and the suppression of frontier trespassers.
4. Protection of frontier inhabitants from attacks by armed lawless elements when it is deemed necessary.
5. Prevention of illegal fishing within the 12-mile limit.
6. Proper watch over the legal use of territorial waters.
7. In special cases, enforcement of a quarantine at the border with the consent of the People's Commissariat for Health.

Next, concerning the zones in the frontier regions, Article 8 states:

In order to prevent easy smuggling and illegal entry, special border zones based on boundary lines shall be established; those on land shall have varying breadths—4 metres, 500 metres, 7.5 kilometres, 16 kilometres and 22 kilometres—and those on water shall be 12 nautical miles broad. The Frontier Preservation Department shall be vested with special authority within these zones and the frontier inhabitants and those engaged in navigation and shipping shall be subject to certain restrictions as stipulated in this law. The survey of frontier areas, wherein observation posts are not located on boundary lines, shall be made not on the basis of boundary lines but on the basis of the line of observation posts.

For the safeguarding of the frontier, Article 42 says:

In the execution of their duties in the guarding of the frontier, the officials of the Frontier Preservation Department shall correspond to sentinels.

According to Article 43, they may resort to arms in any of the following cases :

1. For the purpose of repulsing armed attacks or armed resistance.
2. When unarmed attacks or resistance has placed them in danger.
3. For the purpose of recapturing fugitive prisoners.
4. When persons carrying merchandise or other goods within the 7.5-kilometre zone, or crossing frontier lakes and rivers by cargo ships, or attempting to cross the frontier by illegal means do not halt when the command "stop" is shouted twice followed by a warning shot.

Finally, Article 44 decrees :

Aircraft which fly over places other than those specified or which fly across the frontier in violation of prescribed regulations, shall be ordered to be shot down. Those landing in Soviet territory shall be detained.

The defence of the frontiers of Manchoukuo has been somewhat neglected when compared with the active manner in which the Soviet Union is guarding its borders. This fact is due chiefly to the extremely backward economic development of the border districts in Manchoukuo and to the paucity of inhabitants in those districts owing to the lack of communication facilities. However, in view of the seriousness of the frequent occurrences of border incidents recently, the Manchoukuo authorities, from the standpoint of national defence and public peace maintenance, have decided to enforce a kind of a passport system applicable to the inhabitants of the frontier districts as well as to those travelling in those regions for the purpose of preventing the entry of lawless elements and of protecting the frontier inhabitants. For this purpose, the Border Zone Law was promulgated

on December 24, 1936, and enforced from February 1, 1937. Its chief articles are :

The Border Zone as referred to in the present Law shall comprise the following districts, which, from the viewpoint of national defence and the maintenance of public order, require special control :

Chientao Province :	Hunchun-hsien ;
Pinkiang Province :	Hulin-hsien, Mishan-hsien, Tung-ning-hsien, Muling-hsien ;
Sankiang Province :	Lopei-hsien, Suipin-hsien, Tungkiang-hsien, Fuyuan-hsien, Jaohohsien ;
Heiho Province :	Entire province ;
North Hsingan Province :	Entire province. (Article 1)

A person over the age of fourteen years residing within the Border Zone shall duly notify the police authorities concerned of his residence and obtain a residence certificate issued by the said authorities. (Article 2)

A person residing within the Border Zone shall carry with him his residence certificate when travelling or moving to another locality. (Article 3)

In case a person residing outside of the Border Zone desires to travel in the said Zone, he shall apply to the police authorities concerned and obtain a travel permit issued by the said authorities.

A person who passes through the Border Zone by train or aircraft in regular operation shall not be required to have the permit mentioned in the preceding paragraph. A person without the said permit, however, shall not go outside of railway stations or aerodromes without the permission of the police authorities at the places concerned. (Article 4).

It is reported that a law similar to the above-mentioned Border Zone Law has already been enforced by Soviet Russia. The precautions taken by the Soviet Union against unlawful entry into its land are, however, far greater than those taken by Manchoukuo.

IV. CONDITIONS FOR THE SETTLEMENT OF THE BORDER PROBLEM

The creation of a new situation resulting from the birth of Manchoukuo and the subsequent gradual strengthening of the New State's frontier defences along with its administrative readjustment gave Soviet Russia, which had hitherto virtually controlled the Manchoukuo-Soviet border regions with her military power, a pretext to concentrate a huge army in the Far East allegedly for the purpose of eradicating the so-called new menace in the Far East. The real purpose of the Soviet military concentration soon became apparent as Soviet troops began to bring pressure to bear upon Manchoukuo while committing one border violation after another. Statistics show that no less than three hundred frontier incidents have occurred since the foundation of Manchoukuo.

The press of both countries has widely reported these border incidents, but invariably with utterly conflicting versions, each side blaming the other for the occurrence of the incidents. Without going into the immediate cause of each incident, any disinterested third party should readily be able to realize that the root of the border disputes lies in the lack of equilibrium between the Soviet and Manchoukuo military strengths in the frontier regions. The atmosphere created by the frontier disputes seems so menacing as to subvert normal international relations from their very foundation. Among the incidents still fresh in the writer's memory are the Chinchangkou and Changlingtzu incidents.⁷

⁷ Chinchangkou Incident: On January 29, 1936, 108 soldiers belonging to the Manchoukuo garrison stationed at Chinchangkou, west of No. 22 boundary-mark on the eastern Manchoukuo-Soviet border, rose in mutiny, and, after slaying three officers, looting Government property, and setting fire to the

The lack of a clearly demarcated boundary line between the two countries has been the direct cause of many border incidents. This may be proved by the fact that there are only about 10 boundary-marks along the eastern frontier between the Tumen River and Lake Khanka, a distance of 632 kilometres through dense forests and mountainous districts. Save for the ten frontier-marks which stand apart at an average distance of 63.2 kilometres, there is no landmark whatever to show the location of the boundary.

Motivated by a desire to put an end to these border incidents, which formed the chief obstacle to the establishment of friendly relations with Soviet Russia, the Manchoukuo Government last year proposed to Moscow the establishment of a joint Manchoukuo-Soviet border demarcation commission and another joint commission for the settlement of frontier disputes. Though once accepting Manchoukuo's proposal in principle, the U. S. S. R. virtually abandoned the negotiations thereon, avowedly because of the conclusion of the Japan-German Anti-Comintern Agreement. Such an attitude on the

barracks, fled into Soviet territory. Receiving a report of the mutiny the following day, a Manchoukuo-Japanese detachment stationed in the neighborhood, traced the path of the fleeing soldiers, to investigate the affair, and upon reaching a spot near the boundary line, 8 kilometres southwest of No. 22 boundary-mark, it was suddenly fired upon by deserters and Soviet soldiers numbering about 100 or more, who had made an illegal entry into Manchoukuo territory. In self-defence, the Japanese-Manchoukuo troops retaliated, and the fighting resulted in 12 deaths and 12 wounded on the Japanese-Manchoukuo side, and one death on the Soviet side.

Changlingtzu Incident: This incident was caused by the lawless firing upon a Japanese army surveying party by Soviet frontier guards on March 25, 1936, in the vicinity of Changlingtzu, Hunchun-hsien. The Japanese were subsequently reinforced by 90 Manchoukuo soldiers and the Soviets by 400 soldiers, and in the hectic fighting which ensued, 4 Manchoukuo soldiers were wounded and 20 Soviet soldiers were killed or wounded.

part of the Soviet Union obviously does not benefit either party; on the contrary it only tends to retard the restoration of peaceful conditions along the frontiers, upon which the future stability of the Far East largely depends.

In concluding this article, the writer wishes to enumerate, for the purpose of reference, the following conditions which he believes are necessary for an amicable settlement of the Manchoukuo-Soviet border issue:

1. Both countries must avoid resorting to force in an attempt to bring about a settlement of any disputes and should strive to readjust their relations through political negotiations, thereby paving the way for a solution of the vexatious border question.

2. Each country should refrain from adopting policies aimed at the attainment of its selfish ends and also measures which might serve to divert the attention of the other to its own advantage.

3. Through negotiations, any portions of the boundary which are not clearly defined should be immediately surveyed in order to determine the ownership of lands, rivers and islands along such sections of the boundary.

4. When former treaties and other data are used in frontier demarcation, both countries should look at matters from a broad standpoint and pass fair and appropriate judgment upon any controversial points instead of disputing about insignificant clauses and interests which have only a partial bearing upon the question as a whole.

Finally, Russia must realize the dangerous game she is playing by continuing her highhanded military measures along the frontier, which have a marked resemblance of her actions at the time of the conclusion of

A CHRONOLOGY OF THE NORTH MAN- CHURIA RAILWAY TRANSFER NEGOTIATIONS

The Soviet-Manchoukuo negotiations for the transfer of the ownership of the North Manchuria Railway, formerly the Chinese Eastern Railway, reached a happy conclusion on March 23, 1935. The passing from the Russian hands of the North Manchuria Railway, erstwhile the backbone of Czarist Russia's traditional policy of Far Eastern penetration and recently the chief medium of Red propaganda in Manchuria, clearly marks the end of an epoch during which the Western Imperialism, either openly or covert, had made an easy prey of the Far East, especially China. The event is necessarily epochal and bears a tremendous international significance.

I

The proposal for the sale of the North Manchuria Railway was first officially made by M. Maxim Litvinov, Soviet Commissar of Foreign Affairs, to the Japanese Government through Ambassador Tamekichi Ota on May 2, 1933. In the course of that historic interview, M. Litvinov proposed (1) that the best way to avoid all future difficulties concerning the North Manchuria Railway would be either for Japan or Manchoukuo to buy the said line, (2) that the Soviet Union is ready to recognize Manchoukuo should either Japan or Manchoukuo decide to buy the same, and (3) that the Soviet Union is willing to consider in principle the deferred payment for the payment of the agreed sale price. Count Yasuya Uchida, then Tokyo's Foreign Minister, believed that Manchoukuo within whose territory the railway

runs is better qualified to buy the said railway and immediately referred the Soviet offer to the Hsinking Government. Hsinking was quite willing to consider it. Consequently, the Tokyo Foreign Office replied to the Soviet Government on May 29: (1) that it would be better for Manchoukuo to buy the line on the basis of the Soviet-Mukden Agreement of 1924 and that Japan is prepared to offer her good offices to materialize such negotiations, (2) that the current value of the North Manchuria Railway should be first calculated and the method of compensation should be taken up in the negotiations thereafter, and (3) that Tokyo would be the most suitable seat for such negotiations. On June 3, M. G. J. Sokolnikov, then Moscow's Vice-Commissar of Foreign Affairs, assented to the offer in the name of the Soviet Union and suggested to begin actual negotiations at Tokyo on June 25.

For the purpose of the proposed historic negotiations, the Manchoukuo Government named as its representative Lieutenant-General Tinge Shih-yuan, Manchoukuo Minister to Japan, assisted by Mr. Chuichi Ohashi, Vice-Minister for Foreign Affairs at Hsinking. The Soviet Union appointed as its chief delegate M. Constantine Yurenev, Soviet Ambassador to Tokyo, and as his assistants M. Vladimir Kozlovsky, Chief of the Far Eastern Division of the Commissariat of Foreign Affairs, and M. S. M. Kuznetsov, Vice-Director of the North Manchuria Railway. Count Yasuya Uchida, Foreign Minister, and Mr. Mamoru Shigemitsu, Vice-Minister for Foreign Affairs, were named to represent the Tokyo Government.

Previous to this, on May 9, just one week after Litvinov's proposal, the Nanking Government presented

its protest to Moscow against such a transfer of a Soviet-China joint property and announced that it can not be disposed of unilaterally under treaties without the concurrence of the Chinese Nationalist Government. Two days later, on May 11, M. Litvinov announced through the Tass agency that the Peking and Mukden Agreements of 1924 do not prevent the Soviet Government from selling the North Manchuria Railway to the *de facto* government in Manchuria which is actually exercising the rights according to those Agreements. Moreover, he insisted that the Nanking Government has completely neglected its responsibility as a joint manager of the line and forfeited the power to use that right by suspending the partnership for 18 months. By these events, he concluded, the Nanking Government had legally and morally nullified its treaty rights over the North Manchuria Railway.

Another interlude occurred on June 13 when Ambassador Yurenev suddenly called upon Mr. Shigemitsu at the Foreign Office and proposed that Manchoukuo, as a preliminary for the negotiations, should restore the through freight traffic on the eastern division of the North Manchuria Railway. Mr. Shigemitsu answered that the question would be solved automatically with the settlement of the alleged Soviet transfer of rolling stock and locomotives of the line beyond the Manchoukuo border and that Manchoukuo desires to settle this pending matter separately from the question of the sale of the North Manchuria Railway.

The last interlude which also had a direct bearing upon the historic negotiations about to begin occurred on June 26, the day when the negotiations were actually launched, when the French Ambassador called attention

of the Japanese Government to the French capital involved in the construction of the then Chinese Eastern Railway and reserved the right to use French shareholders' rights and privileges. Mr. Shigemitsu replied that the Japanese Government is not directly concerned with the question of the North Manchuria Railway deal and that it assumes no responsibility with regard to the execution of such matters.

With these preliminaries smoothly disposed of, the way was now clear for the epochal Soviet-Manchoukuo negotiations for the ultimate transfer of the North Manchuria Railway through the good offices of the Japanese Government.

II

The first session of the official negotiations between Manchoukuo and the Soviet Union for the proposed transfer of the North Manchuria Railway was held on June 26, 1933, at the official residence of Japanese Vice-Minister for Foreign Affairs in Tokyo. There were present, in addition to the respective representatives already named, Mr. Haruhiko Nishi of the European and Asiatic Bureau of the Foreign Office and Colonel Sadaichi Suzuki of the Army Department, as observers. Count Uchida welcomed the representatives, expressed the hope for the successful conclusion of the negotiations, and affirmed the continued offer of the good offices of the Japanese Government. Lieutenant-General Tinge stated, among other things, that the North Manchuria Railway is the vestige of Czarist Russia's Far Eastern policy and is an unnatural existence to-day, that its continuation under the present status would merely supply the cause of future difficulties, and that Manchoukuo is willing to

consider any reasonable offer although the economic value of the line has become practically nil, and hoped for the successful conclusion of the deal for the peace of the Far East and in acknowledgment of Japan's good offices. Ambassador Yurenev in a lengthy statement assured the friendly relations, affirmed that the solution of the North Manchuria Railway question would have a tremendous significance upon the future development of Manchoukuo, recalled the Manchoukuo note of March 12, 1932, which assumed responsibilities appertaining to the Peking and Mukden Agreements of 1924 with regard to the North Manchuria Railway, and joined the others in wishing for the successful conclusion of the negotiations through Manchoukuo's sincerity and Japan's positive and friendly cooperation.

The second session was held on June 28, but it went no further than the organization of the conference and the discussion of the matters relating to procedure. It was agreed to begin the actual business of the proposed negotiations on July 3.

As the third session opened on July 3, the cards were laid on the table by the representatives of the Manchoukuo and Soviet Governments. The principal points of the Soviet proposals may be summarized as follows: (1) that the price of the transfer of the North Manchuria Railway, the property of which was carefully described, shall be 250,000,000 gold roubles; (2) that one-half of the said price may be paid in the form of goods which shall be delivered within two years and one-fourth of the remainder in cash and the balance in Manchoukuo securities, guaranteed by the Japanese Government, bearing 4 per cent interest and redeemable in three years; (3) that the freedom of transit shall be

guaranteed for the freight and passengers of the Soviet railways over the North Manchuria Railway free of customs duties and all other official fees, and that a definite amount of freight of the North Manchuria Railway shall be preserved for the Ussuri Railway; and (4) that the persons and properties of the Soviet employees of the North Manchuria Railway, including retirement allowances and dismissal at least after two years, shall be guaranteed by a separate agreement. Against these offers and proposals, the Manchoukuo spokesman proposed: (1) that Manchoukuo is willing to pay 50,000,000 yen for the line in question and all of its appurtenances, the method of the payment of which price shall be dealt with later; (2) that, upon conclusion of the transfer agreement, a Soviet-Manchoukuo Committee shall be named to effect the transfer within one month and the transfer shall be completed within three months; (3) that the Soviet Union shall assume all responsibilities concerning the liabilities of the North Manchuria Railway, including the demand of any third party concerning the transfer, both before and after 1917 up to the date of the transfer; and (4) that the Soviet Union shall surrender all papers relating to the North Manchuria Railway and its affiliated undertakings, including the share certificates, debentures, and claims certificates of the old Chinese Eastern Railway.

The Soviet contention was somewhat as follows: that the total investments in the railway up to 1932, including the construction expenses, exclusive of a sum totaling 178,570,000 gold roubles which were expended by the Czarist Government during the early years of the line for maintenance and operation and also for making

Furthermore, the gap between the two proposed prices was greater than as it actually appears as the Soviet price, in term of Japanese paper currency and its own proposed exchange rate, namely, 1.04 gold yen or 2.50 yen in paper currency, would become 650,000,000 yen or more than twelve times larger than the Manchoukuo price.

These opposing contentions naturally led to the question of ownership which became the chief subject of discussion during the fourth session on July 5. Ambassador Yurenev quoted all available documents to establish the Soviet claim. Among them were the Peking Agreement of 1924 (Article 9, Section 2, and Article 7), the Mukden Agreement of 1924 (Article 1, Sections 2, 7, and 12), the Manchoukuo Declaration of March 12, 1932, and the report of the Pacific and Far Eastern Committee of the Washington Conference in 1922 (presented on January 23, 1922). He also made implied references to the preliminary conversations for the same purpose. Against this contention, Mr. Ohashi maintained that there is no treaty provision whatsoever which clearly proves the Soviet ownership of the railway, that the mere provision of funds for the construction does not constitute the ownership of the lines built, that the Soviet Government in 1917 had renounced all secret agreements including the one which became the basis for the construction of the Chinese Eastern Railway, that the Karakhan declarations of June 25, 1919, and September 27, 1920, announced the Soviet intention to return to China without compensation the railway in question together with all other rights which the Czarist Government had extracted from China, and that China merely gave to Russia the right of joint management under the Peking and

Mukden Agreements. Even if the Soviet ownership is allowed to stand, such ownership was only partial since the Peking and Mukden Agreements of 1924 placed the line under the joint management of the Soviet and Chinese (now Manchoukuo) authorities concerned on an equal footing and on condition that the business proceeds of the line be divided equally between the two parties concerned, the Soviet Government promising to return it to China free of charge after thirty years. He also refuted several pertinent points in the Soviet statement previously presented. After heated discussions which saw no indication of a solution, Mr. Ohashi finally proposed to continue an exchange of views in an unofficial capacity.

The fifth official session was held on July 14. The Soviet delegate presented a lengthy and detailed statement in which the Soviet contentions, especially that of ownership, were reiterated and maintained, and the Manchoukuo representative refuted the general thesis, reserving the detailed rebuttal to the next meeting. The negotiations thus made no progress and the both sides agreed to supplement the official sessions by unofficial conferences.

The unofficial *ad interim* conference was held on July 25 between Mr. Ohashi and M. Kozlovsky, followed by another on July 28 between Mr. Ohashi and M. Kuznetsov, but nothing was accomplished.

Then came the sixth official session on August 4. Lieutenant-General Tinge presented a detailed statement as promised, refuting at length the ambiguous contentions of the Soviet delegation. M. Yurenev reserved comment on the Tinge statement but announced, for the purpose of pushing the negotiations, Moscow's wil-

lingness to reduce the price to 200,000,000 gold roubles. From that session, however, the negotiations were transferred to unofficial *ad interim* conversations. Thus the negotiations faced the first difficulty in connection with the question of Soviet contention relating to the ownership of the North Manchuria Railway.

III

Since the opening of the negotiations in June, public opinion in Russia gradually stiffened with regard to the proposed sale of the North Manchuria Railway. This was largely due to the success of various Soviet peace moves in Europe which tremendously increased the Soviet prestige, the military preparations and propaganda of the Far Eastern Division of the Soviet Army under the leadership of General V. K. Blücher, and the belief that the sale price of the North Manchuria Railway will not materially help the second phase of the Soviet five-year plan, especially in view of Japan's weak economic position. Under such circumstances, the Soviet delegation was forced to proceed slowly and the *ad interim* conversations constituted a welcome medium to count the time.

The first *ad interim* session met on August 8. Mr. Ohashi and Mr. Mori represented Manchoukuo, while M. Kozlovsky and M. Kuznetsov represented the Soviet Union. The Soviet delegation urged the Manchoukuo delegation to raise its bid in response to the Soviet reduction and proposed the discussions of various points in the Soviet proposal. The Manchoukuo delegation, in reply, urged the Soviet delegation to reduce its offer further and indicated the uselessness of detailed discussions as the arguments are bound to flow on endlessly.

Both parties agreed to refer the matter to their respective home Governments.

The second *ad interim* session on August 12, saw no progress except the creation of a technical committee and an agreement to take up the rouble-yen exchange rate at the following session.

At the third *ad interim* session on August 17, the Manchoukuo delegation proposed the rate of 25 sen per gold rouble, but the Soviet delegation refused to divulge its offer under pretext of not yet receiving instructions from Moscow. M. Kozlovsky, in commenting upon the Manchoukuo proposition, insisted that it has no rational basis except in making the Manchoukuo offer of 50,000,000 yen the same as the Soviet offer. The discussions of technical matters by a committee created therefor were postponed until the Soviet offer was made on the exchange question.

The fourth *ad interim* session met on August 23. The Soviet delegation again failed to announce the Soviet offer for the proposed rouble-yen exchange rate but demanded, instead, the initiation of a simultaneous discussion of technical questions. The Manchoukuo representative pointed out the uselessness of technical discussions without reaching an agreement upon the exchange rate. Discussions of various subjects lasting for six hours gave no indication of progress whatsoever.

The deadlock was thus imminent as the month of August ended. On September 6, Mr. Ohashi and M. Kozlovsky in vain held a secret session at Kamakura for the purpose of speeding up the otherwise static negotiations. It was at this delicate juncture that Mr. Kōki Hirota succeeded Count Uchida as Tokyo's Minister for Foreign Affairs. The negotiations continued

through Mr. Hirota's friendly interposition.

The fifth *ad interim* session was held on September 22. The Soviet delegation continued to withhold its proposal for the exchange question and again urged the Manchoukuo delegation to raise its offer. The Manchoukuo delegation insisted that the Soviet delegation should make its exchange proposal first and the discussions dragged on hopelessly. The presence of M. Baluy-sinikov, a technical expert just arrived from Moscow, naturally did not help the situation.

Two days later, on September 24, the Manchoukuo authorities caused the arrest of six Soviet employees of the North Manchuria Railway for flagrant misdemeanours, including responsibility for the illegal removal of North Manchuria Railway rolling stock into the Soviet territory and red propaganda. Moscow charged this event as a move to favorably affect the pending negotiations on the part of Japan and Manchoukuo and published through the Tass agency the alleged Japan-Manchoukuo plan to capture the North Manchuria Railway including the alleged communications between General Hishikari and the Tokyo Foreign Office. Thus, both the Soviet-Manchoukuo and Japanese-Soviet relations suddenly assumed a grave appearance.

IV

As a result of Hirota-Yurenev conversations, however, and following the release on February 14, 1934, of the arrested Soviet employees, the negotiations saw a new light of resumption. Among other things, Foreign Minister Hirota, in order to assure a smoother progress of discussions, persuaded Ambassador Yurenev to present the Soviet offer in term of yen. Thus, on February

26, the new Soviet proposals were communicated to Foreign Minister Hirota. Moscow now proposed that the transfer price shall be 200,000,000 yen; that the entire assets and liabilities of the Railway shall be transferred to Manchoukuo; and that Manchoukuo shall provide for the retirement allowances of the Soviet employees of the line. Upon further inquiry, the Soviet Ambassador announced that the Railway's responsibility for the retirement allowances of its employees total 16,780,000 yen, while the assets include 7,300,000 yen in cash and 23,000,000 gold roubles due from the Japanese Army, which total being enough to cover the liabilities. These proposals and figures were communicated to Hsinking which cast much doubt as to the figures relating to the retirement allowances but agreed to present its views thereon should the negotiations be resumed. Mr. Hirota relayed on April 21 Hsinking's desires to Ambassador Yurenev who, on April 24, acquiesced with the proposal for the resumption of the negotiations. With these preliminaries, the Soviet-Manchoukuo negotiations were resumed late in April, after an interval of almost six months.

At the sixth *ad interim* session on April 26, Mr. Ohashi for the Manchoukuo delegation proposed: that the transfer price shall be 100,000,000 yen, thereby doubling the original offer; that the Soviet Government shall provide for the retirement funds; that Manchoukuo shall pay 30,000,000 yen of the said price in cash and the remainder in goods to be delivered within an agreed period; that Manchoukuo shall not assume any responsibility for the Soviet liabilities except those contained in the Soviet statement of March 22, 1934. The Soviet delegation withheld its comment and promised to ask

for Moscow's instruction thereon before the next session.

On May 3, Ambassador Yurenev called upon Foreign Minister Hirota and disclosed Moscow's instructions which requested a more sincere and rational proposal on the part of the Manchoukuo Government. Mr. Hirota advised that the Ambassador should communicate such request directly to the Manchoukuo delegation and urged the continuation of the Soviet-Manchoukuo parley. To this Ambassador Yurenev agreed on May 7 and the *ad interim* session was resumed on May 9.

At the seventh *ad interim* session thus opened, M. Kozlovsky answered the Manchoukuo proposal by maintaining that Manchoukuo logically should be responsible for the retirement allowances and that the new proposed price is not a concession as it merely includes the retirement allowances. Mr. Ohashi, however, insisted that the retirement allowances should be taken care of by the old management and not by the purchaser; that, moreover, the inclusion of the retirement allowances in the transfer price in this manner would merely deter the negotiations; and that the new price proposed is more than the value of the existing railway as the new line with new equipment could be built for 130,000,000 yen easily.

The eighth *ad interim* session on May 14 failed to shed any new light on the dragging negotiations and the unofficial conferences also faced the stone wall of deadlock.

V

The negotiations were thus transferred back to the arena of Hirota-Yurenev conversations. On May 18, when Ambassador Yurenev called at the Foreign Office

in connection with another mission, Mr. Hirota took the occasion to urge the Soviet Ambassador to make a new offer based upon further concessions. A week later, on May 25, Ambassador Yurenev called upon the Tokyo Foreign Minister, conveyed the Soviet willingness, for the sake of speeding up the transfer negotiations, to make an additional reduction of 19,000,000 yen, and asked him to induce Hsinking to make corresponding modifications of its stand. Mr. Hirota reminded the Soviet Ambassador that as yet there is a deep gap between the two opposing proposals even if Hsinking is willing to make further concessions, and advised Moscow to make decided reduction of its offer in order to expedite a happy conclusion of the deal. Mr. Hirota continued to uphold this position whenever opportunity presented itself.

In the meanwhile, a new factor entered in the form of a successful rapprochement between Japan and China with regard to the solution of various pending questions relating to North China and the general softening of the Chinese attitude toward Japan. This was auspicious for the deadlocked Soviet-Manchoukuo negotiations. Thus, on June 26, Ambassador Yurenev called upon Mr. Hirota again and communicated the new Soviet offer of 170,000,000 yen as the transfer price of the railway, provided Hsinking will take care of the retirement allowances. Mr. Hirota then advised the reopening of the Soviet-Manchoukuo negotiations on that basis. This proposal the Soviet delegation was somewhat reluctant to accept and a pessimistic atmosphere prevailed among them, M. Kuznetsov finally leaving Tokyo for Harbin.

Under the circumstances, the Manchoukuo delegation decided to continue the negotiation with 135,000,000 yen for the railway and 30,000,000 yen for the retirement

allowances as the final maximum goal. This decision was later modified, making 150,000,000 yen as the maximum total offer. Consequently, Mr. Hirota presented to Ambassador Yurenev on July 23 the first Hirota proposal. The chief points in the Hirota proposal were that the price of the railway shall be 120,000,000 yen, of which 30,000,000 shall be paid in quarterly installments in cash within three years and the balance in goods within six years, and that Manchoukuo shall assume complete responsibility with regard to the retirement allowances. To this proposal was attached the Manchoukuo conditions: that the railway shall be transferred simultaneously with the signing of the agreement; that the Soviet employees of the North Manchuria Railway shall be dismissed within six months from the conclusion of the deal and that the dismissed former employees shall return to Russia within two months after the dismissal; that Manchoukuo shall assume responsibility with regard to the liabilities of the North Manchuria Railway as per the Soviet statement of March 22, 1934, and that the Soviet Union shall assume all others not mentioned therein and contracted thereafter; and that the two countries shall conclude a new agreement concerning telegraphic communications at an earliest date. Manchoukuo, of course, readily accepted the new proposal but the Soviet Ambassador merely promised to refer it to Moscow.

This time, however, Moscow quickly acted. Three days later, on July 30, Ambassador Yurenev presented a fresh Soviet proposal to Mr. Hirota: that the transfer price shall be reduced to 160,000,000 yen on condition that Manchoukuo assumes the responsibility for the retirement allowances; that two-thirds of the price shall be paid

in goods in quarterly installments within two years; that one-half of the cash payment shall be paid simultaneously with the signing of the agreement and the balance in quarterly installments within three years; that the dismissal of the Soviet employees shall be carried out in accordance with the existing regulations of the North Manchuria Railway, and that the Manchoukuo proposal in this matter as attached to the Hirota plan shall be accepted; and that a new Soviet-Manchoukuo transportation agreement shall be concluded at the same time with the railway transfer agreement. Mr. Hirota pointed out the gap of 40,000,000 yen which is still existing between the two prices, under which no negotiations would reach a successful conclusion, and again earnestly urged the Soviet Ambassador to reconsider the offer.

On August 10, Ambassador Yurenev again called upon Mr. Hirota and expressed the impossibility of Moscow reducing its offer any further. Mr. Hirota in vain persuaded the Soviet reconsideration and the Hirota-Yurenev conversation at last reached an impasse. Three days later, Mr. Ohashi called upon Ambassador Yurenev and made clear that the Hirota proposal is the maximum limit to which Hsinking can go due to its pressing financial situation and announced that the Manchoukuo delegation, disappointed with the progress of the negotiations, is leaving for Hsinking on the following day. Ambassador Yurenev was firm. Accordingly, Mr. Ohashi and others left Tokyo on August 14. Thus the negotiation came to a virtual standstill.

VI.

The complete breakdown of the negotiations was prevented, however, through Mr. Hirota's earnest effort and

the unofficial Hirota-Yurenev-Tinge conversations continued. The Hirota-Yurenev conversations which were started late in August gradually narrowed down the gap between the two offers, Mr. Hirota raising the Manchoukuoan offer to 130,000,000 yen on September 6 and Ambassador Yurenev reducing the Soviet offer to 145,000,000 yen on September 12. The negotiations assumed a further brighter aspect on September 21 when Ambassador Yurenev informed Foreign Minister Hirota Moscow's willingness to close the deal at 140,000,000 yen as the price of the railway exclusive of the 30,000,000 yen retirement fund. Mr. Hirota immediately saw General Tinge and, on the following day, informed Ambassador Yurenev the tentative acceptance of the price but suggested the modification of other conditions: that Manchoukuo shall purchase the Soviet right in the North Manchuria Railway with the signing of the agreement and that the Soviet Union shall complete the transfer of the railway within one month thereafter; that the Soviet statement of March 22 on the claims and liabilities of the North Manchuria Railway shall be revised; that 40,000,000 yen of the transfer price shall be paid in cash, 15,000,000 yen being paid simultaneously with the signing of the agreement, and the remainder in quarterly installments within three years; that the payment in kind shall be made in quarterly installments within four years; and that three months' notice shall be given for the dismissal of the Soviet employees and one month's allowance for their return to Russia.

After another Hirota-Yurenev conference on September 26, Ambassador Yurenev made a counter proposal on October 1, of which the main points were as follows: that there is no necessity of revising the statement con-

cerning the claims and liabilities of the North Manchuria Railway already presented; that the line shall be transferred after the payment of one-half of the price in cash and the definite disposition of the remainder in some agreeable manner; that the Japanese Government shall guarantee the payment; that Manchoukuo shall pay 4% interest upon the balance after making a cash payment; that a gold clause shall be incorporated to guard against fluctuations in the rouble-yen exchange rate; that three months each shall be allowed to the employees of the railway in the matter of both dismissal and return to Russia; and that a new through traffic agreement between the North Manchuria Railway and the Soviet railways shall be concluded immediately after the signing of the transfer agreement. And thus a general agreement had been reached upon the fundamental issues of the protracted negotiations. Previous to this, Lieutenant-General Tinge approved in principle the results of the Hirota-Yurenev conferences on September 21 and 22, and Mr. Ohashi hurriedly returned to Tokyo in response to Mr. Hirota's cabled request.

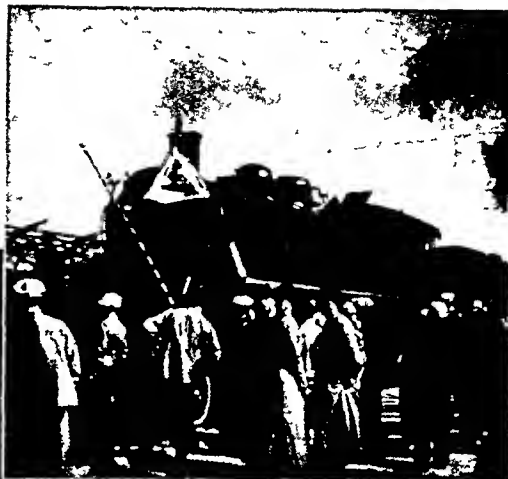
The question of the transfer price having been thus settled, what followed chiefly concerned the method of payment and the Japanese guarantee. On October 5, therefore, Mr. Hirota presented to Ambassador Yurenev his proposals upon the pending questions after discussing the same with the Manchoukuo delegation. The main points of the Hirota suggestions were: that the statement of claims and liabilities shall be revised as previously proposed; that one-third of the transfer price shall be paid in cash, one-half simultaneously with the signing of the agreement and the balance in quarterly installments in three years, and two-thirds in goods, for

which order shall be filled within six months and delivered in three years; that no interest shall be paid on the balance of the payment; that the Manchoukuo debentures shall be guaranteed by Japanese banks concerned and not by the Japanese Government; that the standard of exchange shall be that between the yen and the Swiss franc, adjustable with the fluctuation of 10% or more; that the dismissed Soviet employees shall return to Russia within two months; that Manchoukuo shall allow the Soviet Union to use its consulate at Harbin without fee; that a new transit agreement shall be concluded immediately after the signing of the transfer agreement; and that the agreement shall be drawn up in three languages, the Japanese text prevailing in case of doubt.

M. Kuznetsov returned to Tokyo soon afterward and rejoined the Soviet delegation. On October 15, Ambassador Yurenev presented the Moscow amendments to the Hirota suggestions, in which the Soviet Union demanded the Japanese Government's guarantee for the payment, 3% interest, delivery of goods within two years, change of exchange rate with 5% fluctuations, no need of new statement concerning the railway's claims and liabilities, conclusion of a new transit agreement as proposed, reservation of several buildings in Harbin for the Soviet use, and three months' notice for dismissal of the Soviet employees and two months' allowance for return. Ambassador Yurenev also made three new propositions: that all disputes concerning the price of goods to be delivered shall be arbitrated by a body headed by the presidents of American and British Chambers of Commerce, that the price prevailing in Japan shall be adopted, and that the payment shall be made in cash in case disputes on the price reaches a complete deadlock.

At the fifth Hirota-Yurenev conference on October 22, Mr. Hirota rejected most of the Soviet proposals, but the sixth Hirota-Yurenev conference on October 30 and 31 saw a further indication of an approaching solution. Ambassador Yurenev acquiesced with the proposals for the revision of the statement on claims and liabilities, the free reservation of Soviet Consulate, and the payment of no interest for goods. The Ambassador and the Foreign Minister were still at variance however on three important points, being respectively for 8% and 10% gold clause, $2\frac{1}{2}$ and $3\frac{1}{2}$ years for the delivery of goods, and the Japanese Government's guarantee and an open statement in place of guarantee. Ambassador Yurenev added one more new proposal, namely, the shipment abroad of cash paid.

At the seventh Hirota-Yurenev conference on November 6, Ambassador Yurenev presented two new demands, namely, that all commercial liabilities of the North Manchuria Railway contracted since 1924 and upheld by the Manchoukuo courts shall be borne by Manchoukuo and that the Soviet Union shall reserve, after the railway transfer, the use of its consulate and dormitory, first and fourth primary schools, hospital, and library, all in Harbin. He proposed that Moscow shall assume responsibility with regard to the liabilities not mentioned in the statement of March 22 and the addenda under preparation. He, however, insisted upon the arbitration and Japanese Government's guarantee clauses, the delivery of goods in three years, three months' notice for dismissal and two months' allowances for returning home, and the immediate payment of retirement allowances. Mr. Hirota reserved his answer to the new Soviet proposals until the following session, agreed to the shipment of cash



*The insignia of the former North Manchuria Railway (left)
and of the Manchoukuo State Railways (right)*



*The former North Manchuria Railway Office, at present
the Harbin Railway Directorate*

abroad through the Yokohama Specie Bank, proposed an arbitration of price disputes by the Tokyo Foreign Office and the Department of Commerce and Industry, and insisted upon the deferred payment of retirement allowances and the public statement in place of the Government guarantee for the payment.

The eighth Hirota-Yurenev conference on November 13 naturally concerned with Mr. Hirota's reply to the Yurenev proposals of the previous session. Tokyo Foreign Minister made the following suggestions, reiterating some of the former offers: that the additional statement on the liabilities of the North Manchuria Railway shall cover everything for which Manchoukuo shall be responsible in addition to the statement of March 22; that Moscow shall continue the use of the consulate, its dormitory and the library but not the hospital and schools; that the goods shall be delivered within three years in six equal installments; that 3% interest shall be paid for the balance of the cash payment; that a separate agreement shall be concluded for the delivery of goods; that the retirement allowances shall be paid without reservations under the existing North Manchuria Railway regulations; that all commercial liabilities contracted before the 1924 Agreement and upheld through court action shall be divided equally between Moscow and Hsinking. He acquiesced with an 8% gold clause and the shipment of cash abroad through the Yokohama Specie Bank, but insisted upon a public statement in place of the Government guarantee. A general discussion of the foregoing points was made on November 14, in the course of which the question of drawing up an additional statement on the liabilities as proposed by Mr. Hirota was accepted in principle.

The ninth Hirota-Yurenev conference on November 26 saw a decided progress toward the final solution of various questions. The Soviet Ambassador proposed to accept several points with minor modifications, namely, the preparation of an additional statement on liabilities, the 8% gold clause, the shipment abroad of the cash payment through the Yokohama Specie Bank, and the delivery of goods in six installments within six years. However, the Soviet Ambassador continued to insist upon the immediate payment of retirement allowances, in connection with which Mr. Hirota presented a detailed proposal, the Japanese Government guarantee for the payment, and the court action, and proposed the use of English or French as the official language of the agreement.

On December 1, at the tenth Hirota-Yurenev conference, Mr. Hirota expressed his complete agreement with the several points as accepted by Moscow except the question of the Japanese Government's guarantee. He, however, continued to insist upon the question of court action as per his proposal on November 13, and accepted the arbitration clause, offering the good offices of the Japanese Government in determining the rational price.

To clear these unsettled questions, therefore, Mr. Hirota proposed, at the eleventh Hirota-Yurenev conference on December 10: that the Japanese Government can not guarantee the payment but that, in view of the friendly relations existing between Japan and Manchoukuo, it is ready to draw up a statement, underwriting the Manchoukuo responsibility; that an arbitration committee consisting of a Japanese, a Manchoukuo, and two Soviet representatives shall decide any dispute concern-

ing the prices tendered in part payment, and that, in the event of a deadlock, the whole question shall be referred to the Soviet-Japanese and Soviet-Manchoukuo diplomatic negotiations in matters relating respectively to Japanese and Manchoukuo goods; and that the retirement allowances shall be paid within three years. Mr. Yurenev insisted upon an immediate cash payment in connection with the last question and promised to ask for instructions from Moscow on the two other questions.

On December 21, at the twelfth conference, Mr. Yurenev presented the Moscow replies to Mr. Hirota's proposals. He insisted that the Japanese Government must guarantee the payment by banks but that such a guarantee does not imply the Japanese payment in place of the Manchoukuo payment. On the other hand, he announced that Moscow is ready to accede to the Hirota proposal with regard to the arbitration of prices but that the last resort to be made shall be, not the Japanese-Soviet-Manchoukuo diplomatic negotiations, but the arbitration of a third power. Mr. Hirota strongly opposed the plan for an arbitration by a third power. Mr. Yurenev also amended his previous proposals in two respects: that, instead of a cash payment in case of price dispute, the three-year period of payment shall be extended and the purchase of Japanese goods allowed, and that the Soviet Union shall retain only one, not two, school in Harbin.

The main points which dragged the negotiations unnecessarily over an unexpectedly long period were thus settled and the conferees agreed to leave the questions of minute details to the conferences between M. Kozlovsky and Mr. Shigenori Togo, the Director of the European and Asiatic Bureau of the Tokyo Foreign

Office, reserving to themselves only the fundamental questions.

VII

The most difficult elements of the epochal negotiations having been thus disposed of, the settlement of details merely required time. Under the new agreement upon procedure, the Togo-Kozlovsky conference was started on December 24. The first session which required five hours was chiefly devoted to the question of the Japanese guarantee for the payment but could not reach any agreement. The second session two days later dealt with the same question in vain. On the following day, December 27, however, a definite progress was made. At this third session the Hirota proposal of December 10 was made the basis of discussion and an agreement was reached on most points. M. Kozlovsky, on the other hand, insisted upon the inclusion of arbitration by a third party and the payment of retirement allowances partly in cash and the balance within one year. Mr. Togo rejected the first thesis and continued to maintain the two-year limit in connection with the second. A progress was made also in the matter of the railway transfer, the Manchoukuo spokesman agreeing to the possession of the railway immediately after the signing of the agreement.

Then followed the fourth session on December 30. M. Kozlovsky in principle accepted the Hirota plan of December 10, thus withdrawing the Soviet insistence upon the Japanese guarantee for the payment and accepting the proposal that the Japanese Government deliver a formal note on the question. He also withdrew the proposal for arbitration by a third power. The

fifth session on January 11 saw a general agreement with respect to the Japanese Government issuing a formal statement on the question of payment, the referring of price disputes successively to a Soviet-Japanese-Manchoukuo Committee and diplomatic negotiations, and the payment of retirement allowances within two years. The sixth and seventh sessions on January 17 and 19 made little progress and the eighth session was held on January 21. It was at this last session, which required no less than six hours, that a complete accord was reached on all pending details.

There remained the arduous task of drawing up the texts of several agreements. But now everything moved smoothly and quickly, and the provisional signing of the agreement by the representatives of the three Powers concerned took place on March 11.

Previous to this event, the North Manchuria Railway Investigation Committee, headed by Mr. Li Shao-keng, Chairman of the Railway Board of Directors, was created to examine the reports submitted by the Director of the Administrative Bureau with regard to the claims and liabilities of the North Manchuria Railway. According to the reports thus submitted, the claims and liabilities, in addition to the statement of March 22, 1934, were respectively 10,376,828.60 and 14,525,010.77 gold roubles. The reports were eventually approved and, through the good offices of Mr. Morindo Morishima, Japanese Consul General at Harbin, the final agreement was reached and signed on March 17 by Mr. Li Shao-keng and M. P. A. Bandura, Vice-Chairman of the Railway Board of Directors. A supplementary document was signed on March 21.

The Nanking Government was restless in view of the

successful conclusion of the negotiations. On March 11, Mr. W. W. Yen, Nanking's Minister to Moscow, lodged a protest with the Soviet Union. At the same time, the Foreign Office at Nanking made a formal announcement that the forthcoming transfer of the North Manchuria Railway to Manchoukuo by the Soviet Union alone is illegal in as much as it constitutes a violation of the Soviet-China Agreement of 1924. Almost a week later, on March 17, Nanking sent a statement to all Powers, officially declaring that the forthcoming transfer is illegal and clarifying its intention to reserve every right in the North Manchuria Railway even after its transfer to Manchoukuo.

In the meanwhile, Hsinking was taking necessary steps quickly to consummate the transfer deal. The State Council approved the North Manchuria Railway transfer agreement and its supplementary documents on March 17 and the Privy Council gave the approval of the State two days later. At Tokyo, the Privy Council approved the documents on March 20.

Thus the stage was all set for the official signing of the historic agreement on March 23. It was a gala affair, Foreign Minister Hirota, Soviet Ambassador Yurenev, and Manchoukuo Minister Tinge affixing their signatures to the agreements in the names of their respective countries and thus consummating the negotiations which required one year and ten months. At the same time, a check for 23,500,000 yen, being the first cash installment, was presented to the Soviet representative by the Manchoukuo representative. On the same date, the official transfer of the North Manchuria Railway to Manchoukuo at Harbin was made also a gala affair, M. J. V. Rudy, General Manager of the North Manchuria

Railway, and Mr. Ting Chien-hsiu, Hsinking's Minister of Communications, taking the leading roles there.

VIII

The documents which thus consummated the historic transfer of the North Manchuria Railway from the Soviet Union to Manchoukuo consisted of (1) the Basic Agreement between Manchoukuo and the Soviet Union on the transfer, (2) the Soviet-Manchoukuo Protocol, (3) the Soviet-Manchoukuo-Japan Protocol, (4) the Notes exchanged between Foreign Minister Hirota and Ambassador Yurenev, and (5) the Notes exchanged between Foreign Minister Hirota and Minister Tinge.

The principal terms of the agreement are as follows: (1) that the transfer price shall be 140,000,000 yen in Japanese paper currency for the railway and its appurtenances and 30,000,000 yen for retirement allowances; (2) that one-third of the transfer price shall be paid in cash and the balance in kind; (3) that one-half of the cash payment shall be made simultaneously with the signing of the Agreement and the balance within three years in four equal installments with 3 per cent interest per annum; (4) that the exchange value of yen shall be amended if the yen fluctuates eight per cent or more, either way, against the Swiss gold franc; (5) that the payment in kind shall be completed within three years in six equal installments, that any dispute concerning the prices shall be settled by an arbitration committee consisting of a Japanese, a Manchoukuo, and two Soviet representatives, and that a deadlock in dispute shall be transferred to diplomatic negotiations between respective countries; (6) that three months' notice shall be given for the dismissal of the Soviet employees and two months

to leave Manchoukuo; (7) that the payment of retirement allowances shall be completed in four installments within two years; (8) that the Manchoukuo Government shall assume responsibility only for the assets and liabilities mentioned in the balance sheet, all others being assumed by the Soviet Government; (9) that the Soviet Government shall retain the railway property at Manchouli and Pogradichnaya, the Soviet Consulate General and its dormitory at Harbin, a certain portion of the books in the Railway Library, and the Second Primary School in Harbin; (10) that an agreement shall be made for the establishment of through traffic between the North Manchuria Railway and the Ussuri and Trans-Baikal Railways; and (11) that the Japanese Government shall guarantee Manchoukuo's payments by delivering a formal note to that effect to the Soviet Government.

In a Note addressed to Ambassador Yurenev, Foreign Minister Hirota assured that the Japanese Government undertakes to guarantee the exact fulfilment by the Government of Manchoukuo of "all the obligations of payment, in money as well as in goods." In a similar note addressed to Minister Tinge, the Japanese Foreign Minister explained that such a guarantee was given in compliance with the wishes of the Soviet Union "in view of the close and special relations existing between Manchoukuo and Japan."



FINANCIAL CONDITION OF THE AGRICULTURAL POPULATION OF NORTH MANCHURIA IN 1935

I. GENERAL REMARKS

Making use of its spare time during the investigation of the 1933 crop output in North Manchuria, conducted for about a month beginning from the early part of February, 1935, the North Manchuria Economic Research Institute of the South Manchuria Railway Company, in order to study the financial condition of the agricultural population of North Manchuria, made a survey of twenty-four representative farms in the principal districts where cultivation is carried on on a comparatively large scale. Inasmuch as the survey covered only twenty-four farms and moreover as it could not be carried out thoroughly owing to a lack of time, it is premature to consider the results of the survey as indicating the general financial condition of farmers in North Manchuria. Nevertheless they do show that the financial condition of the agrarian population for the period under review was somewhat better than the preceding year.

II. FACTS ABOUT THE FARMS COVERED BY THE SURVEY

(a) *Ages of the farms*

Under ten years	6 farms
Between 10 and 30 years	11 „
Between 30 and 50 years	3 „
Over 50 years	4 „

(b) *Farms classified according to the area under crop*

Large farms (over 100 shang ¹) ...	4 farms
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¹ 1 shang equals 0.737 hectare.

CONTEMPORARY MANCHURIA

Medium farms (between 30 and 100 shang).....		11 farms
Small farms (under 30 shang).....		9 "
(c) Farms classified according to ownership		
Independent farms		12 farms
Independent and tenant farms combined		5 "
Tenant farms		7 "
(d) Location of the farms		
Hsinking-Harbin railway district (Shuancheng and Yushu)		4 farms
Harbin-Peianchen railway district (Suihua, Hailun and Wangkuei).		4 "
Tsitsihar-Peianchan railway district (Paichuan, Noho, Ian and Koshan)		7 "
Harbin-Manchouli railway district (Mingshui)		3 "
Harbin-Suifenhao railway district (Ningan and Yenshou)		2 "
District in the lower reaches of the Sungari (Paoching and Fuchin)		3 "
Tailai		1 farm

The average size of the farms under cultivation was 50.7 shang, the number of persons per household 18, the number of labourers per farm 5.6, the area tilled by each cultivator 6.7 shang, and the number of carts per farm 1.5. The domestic animals kept by the 24 farms averaged 11.5 head of cattle, 9.3 hogs, and 18.2 fowl. The average number of domestic animals to one shang under cultivation was 0.2 cattle, 0.2 hog, and 0.3 fowl, while the area under cultivation per head of cattle was 4.4 shang.

III. INCOME OF THE FARMS

Although every care was taken to estimate as rationally as possible the income of each farm, the greater portion of which consists of receipts from the sale of crops, rentals paid by tenant farmers and income from subsidiary occupations, certain receipts which were difficult to estimate, such as those accruing from a natural increase in live-stock and from poultry and vegetables, were not included in the income under study. The average income from one shang for the year under review amounted to M¥ 54.66, as compared with M¥ 37.90 for the previous year. The gain was chiefly due to a bumper wheat crop and the higher prices of various products. Details of the average income from one shang follow (in M¥):

(a) *Income of the farms classified according to their size:*

	Crop	Farm rent	Subsidiary Occupations	Total	Total for previous year	Increase or decrease compared with previous year
Large farms	46.03	12.21	3.28	61.52	34.12	27.40
Medium farms...	33.80	10.86	4.47	49.13	48.20	0.93
Small farms	33.02	16.85	8.58	58.45	31.11	27.34
Average	35.55	13.30	5.81	54.66	37.90	16.76

(b) *Income of the farms classified according to their ownership:*

	Crops	Farm rent	Subsidiary Occupations	Total
Independent farms	38.87	13.30	4.70	56.87
Independent and tenant farms combined.....	33.60	—	4.94	38.54
Tenant farms	31.24	—	8.35	39.59
Average	35.55	13.30	5.81	54.66

(c) *Income of the farms classified according to their location:*

	Crops	Farm rent	Subsidiary Occupations	Total
Hsinking-Harbin railway district.....	41.43	—	5.09	46.52
Harbin-Peianchen railway district ...	48.90	18.00	3.91	70.81
Tsitsihar-Peianchen railway district...	28.99	15.76	4.50	49.25
Harbin-Manchouli railway district ...	25.25	6.18	3.46	34.89
Harbin-Suifenhao railway district.....	25.09	—	15.69	40.78
District in the lower reaches of the Sungari	45.75	16.85	9.36	71.96
Other districts	25.63	—	2.22	27.85
Average	35.55	13.30	5.81	54.66

(d) In the accompanying table is given the 1935 average prices of agricultural products per "tang" (100 cubic meters) in North Manchuria as compared with that of 1934 (in M²):

Products	1935	1934	Increase or decrease
Soya beans	12.93	9.09	3.89
Wheat.....	16.46	13.20	1.26
Kaoliang.....	9.42	7.99	1.43
Millet	9.42	7.60	1.82
Maize	8.27	6.64	1.63
"Mitzu" (Mongolian millet) ...	11.33	10.25	1.08
Red beans	12.00	9.27	2.73
Green beans	20.00	12.50	7.50
Upland rice	13.00	10.64	2.36
Barnyard-grass	3.80	3.96	-0.16
Red millet.....	6.50	—	—
Small hemp seed.....	7.63	7.63	—
Perilla seed	13.82	11.27	2.55
Buckwheat	7.00	—	—
Barley	—	4.54	—
Oats	—	3.92	—

(e) Income from the sale of agricultural products

Soya bean, wheat, and perilla and hemp seed plantings occupied 52 per cent of the total area under cultivation, while the income from the sale of these crops represented about 60 per cent of the total sale of agricultural produce. The area cultivated with millet, kaoliang, and maize, which constitute the staple food of the farmers, occupied 48 per cent of the total crop



Country life in Manchuria



Manchu farmers threshing beans

area. The receipts from these crops amounted to 40 per cent of the total sales.

The income from crops per shang for the year under review in comparison with that of 1934 was (in M¥):

Crops	1935	1934	Increase or decrease
Soya beans	37.20	27.31	9.89
Wheat	55.19	35.52	19.67
Perilla seed	41.05	44.09	-3.04
Hemp seed	26.02	15.49	10.53

The gross average income from all crops per shang for 1935 amounted to M¥ 35.55 as compared with M¥ 24.79 for the preceding year.

(f) *Income from rentals of tenant farms*

The receipts from farm rents in 1935 were very satisfactory, averaging M¥ 13.30 per shang, which was M¥ 7.23 more than those of the previous year. However, as this survey was limited to a small number of comparatively better class farms, the findings, as far as rentals are concerned, many not apply to the farms in general.

(g) *Income from subsidiary occupations*

The receipts from subsidiary occupations amounted to only 10 per cent of the income from all sources. The income of the large farms per shang under cultivation was M¥ 3.28, medium farms M¥ 4.47, small farms M¥ 5.44, independent farms M¥ 4.70, independent and tenant farms M¥ 4.94, and tenant farms M¥ 8.35. The average income of all farms per shang was M¥ 5.81, representing a decrease of M¥ 1.23 in comparison with that of the year before.

IV. EXPENDITURES OF THE FARMS

Comprising about 36 per cent of the total expenditure, living expenses led the expenditure list, followed

by wages with 16 per cent, expenses for feeding live-stock 12 per cent, miscellaneous expenditure 8 per cent, taxes 7 per cent, and purchase of seeds 5 per cent. The average expenditure per shang amounted to M¥40.55, compared with M¥30.05 for the previous year, the rise of M¥10.50 being due to increased living expenses and other expenditures, particularly farm rents.

Details of the average expenditure per shang are given in the following tables (in M¥):

(a) Expenditures of the farms classified according to their size:

Classifications	Taxes	Seeds	Wages	Other ex-penses	Prin-cipal food	Secon-dary food	Fodder	Mis-cella-neous	Total
Large farms	3.76	2.03	8.32	6.06	8.50	5.54	5.47	3.74	43.42
Medium farms	2.34	1.86	5.96	6.76	7.41	4.61	4.05	2.96	35.86
Small farms	2.02	2.08	5.72	7.17	12.01	7.25	5.03	3.64	44.92
Average	2.45	1.97	6.26	6.78	9.32	5.75	4.66	3.35	40.55
Average for previous year	1.94	1.13	6.99	3.40	3.49	4.17	4.27	4.66	30.05
Increase or decrease...	0.52	0.84	-0.73	3.38	5.83	1.58	0.39	-1.31	10.50

(b) Expenditures of the farms classified according to their ownership:

Classifications	Taxes	Seeds	Wages	Other ex-penses	Prin-cipal food	Secon-dary food	Fodder	Mis-cella-neous	Total
Independent farms...	3.35	1.59	7.36	9.96	10.45	6.35	4.59	3.33	47.38
Independent and tenant farms combined	2.45	1.44	6.73	2.66	7.39	4.78	2.69	3.18	31.32
Tenant farms	0.93	2.30	4.06	9.66	8.76	5.43	5.45	3.49	40.10
Average	2.46	1.97	6.26	6.78	9.32	5.75	4.66	3.35	40.55

(c) Expenditures of the farms classified according to their location:

Districts	Taxes	Seeds	Wages	Other ex-penses	Prin-cipal food	Secon-dary food	Fodder	Mis-cella-neous	Total
Hsinking-Harbin jly. district	3.13	1.78	7.44	4.55	8.15	5.36	4.25	3.94	38.60
Harbin-Peianchen jly. district	2.34	2.83	6.34	14.57	10.13	6.19	5.91	3.09	51.40

Districts	Taxes	Seeds	Wages	Other expenses	Principal food	Secondary food	Fodder	Miscellaneous	Total
Tsitsihar - Peianchen rly. district	2.06	1.43	5.18	3.29	8.32	4.36	4.53	3.46	32.63
Harbin - Manchouli rly. district	2.48	0.83	5.85	—	5.73	3.58	3.46	2.38	24.31
Harbin-Suifenho rly. district	1.10	2.05	2.75	4.97	11.19	6.53	5.96	4.29	38.84
District in lower reaches of Sungari.	4.10	2.60	11.21	—	15.10	11.61	5.10	3.70	53.42
Other districts.....	0.63	4.39	0.29	5.44	7.35	2.72	1.85	1.13	23.80
Average	2.46	1.97	6.26	6.78	9.32	5.75	4.66	3.35	40.55

(d) Living Expenses

An examination of the cost of living of the farmers, the greater part of which consists of food expenses, showed that millet, maize, and kaoliang comprise their staple food. Millet, moreover, constituted 40 per cent of their staple food.

The average quantity of principal food consumed by each person per day was 4.8 ho (one ho equals .1 cubic meter) in the large farms, 4.4 ho in the medium farms, 3.5 ho in the small farms, 4.3 ho in the independent farms, 3.6 ho in the independent and tenant farms combined, and 4.1 ho in the tenant farms, giving an average of 4.1 ho as compared with 4.8 ho in the preceding year. The average quantity consumed by each household per year was 148 tou 8 sheng (1 tou is equivalent to 10 cubic meters, and 1 sheng is equivalent to 1 cubic meter) valued at M¥231.19, 135 tou of kaoliang valued at M¥118.10, 112 tou 5 sheng of maize valued at M¥94.59, and 79 tou 7 sheng of other commodities valued at M¥143.46.

Food bill classified according to principal and secondary food, and with the regular and temporary labourers counted as members of the families, was as follows. The cost of principal food per person per day in the large

farms was 5.6 fen; in the medium farms, 4.8 fen; in the small farms, 5.5 fen; in the independent farms, 5.7 fen; in the independent and tenant farms combined, 4.7 fen, and in the tenant farms, 4.5 fen, giving an average of 5.2 fen; an increase of 2.8 fen over the year before. The cost of secondary food per person per day was 5.8 fen in the large farms, 3.2 fen in the medium farms, 3 fen in the small farms, 4 fen in the independent farms, 2.4 fen in the independent and tenant farms combined, and 2.6 fen in the tenant farms, giving an average of 3.6 fen as compared with 3.1 fen for the preceding year.

Representing 59 per cent of the expenses for secondary food, wheat flour headed the list, followed by meat with 16 per cent, salt 13 per cent, and bean oil 7 per cent. The average quantity of secondary food consumed by each household per year was 2,693.3 chin (one chin equals .5 kilogram) valued at M¥248.71, consisting of 1,586.3 chin of wheat flour (M¥44.40), 359.8 chin of salt (M¥39.92), 433.3 chin of meat (M¥85.61), 185 chin of bean-oil (M¥33.52), 118 chin of alcoholic drinks (M¥24.06), 11.5 chin of sugar (M¥2.87), and M¥18.33 worth of other commodities.

The average clothing expenses of each person per year amounted to M¥4.96 in the case of large farms, M¥3.74 in medium farms, M¥4.19 in small farms, M¥4.52 in independent farms, M¥4.25 in independent and tenant farms combined, and M¥3.32 in tenant farms, giving an average of M¥4.30 as compared with M¥3.33 for the preceding year.

For social intercourse, each person spent an average of M¥2.32 during the period under review, 32 fen more than the year before. The average expenses per person per year came to M¥4.68 in the case of large farms,

M¥1.99 in medium farms, M¥1.68 in small farms, M¥2.59 in independent farms, M¥3.43 in independent and tenant farms combined, and M¥1.07 in tenant farms.

(e) *Expenses for feeding live-stock*

Comprising 12 per cent of the total expenditure, the average expenses of each farm for feeding live-stock per year amounted to M¥359.96, or M¥31.30 per head. The domestic animals kept by each farm averaged, as has been previously mentioned, 11.5 heads of cattle, 9.3 hogs, and 18.2 fowl, and the amount of fodder consumed by them per year consisted of 4 tang 1 tou (one tang equals 100 cubic meters, and 1 tou equals 10 cubic meters) of soya beans valued at M¥41.21, 141 pieces of bean-cakes valued at M¥47.58, 18 tang 5 tou of kaoliang valued at M¥155.16, 17,252 chin of millet valued at M¥40.62, and 16 tang 2 tou of cereals valued at M¥5.39. Fodder expenses per shang per year came to M¥5.47 in the large farms, M¥4.05 in the medium farms, M¥5.03 in the small farms, M¥4.59 in the independent farms, M¥2.69 in the independent and tenant farms combined, and M¥5.44 in the tenant farms—the gross average coming to M¥4.66 per shang as compared with M¥4.27 for the year before.

(f) *Wages*

An average of 5.6 labourers were regularly employed by each farm and the average wages paid to each labourer per year were M¥59.61 as against M¥61.97 for the preceding year. For the decrease of M¥2.36 there is no cause worthy of special mention. The large farms employed an average of 16 regular labourers, the medium farms an average of 4 labourers, the small farms 1.2 labourers, the independent farms 2.6 labourers, the independent and tenant farms combined 4.7 labourers,

and the tenant farms 1.8 labourers. The average area tilled by each cultivator was 6.4 shang in the large farms, 6.8 shang in the medium farms, 6.6 shang in the independent and tenant farms combined, and 5.8 shang in the tenant farms, giving an average of 6.7 shang as compared with 7.8 shang the year before.

(g) Taxes

The average amount of tax, including national and local taxes, paid by the large farms per shang came to M¥3.76, by the medium farms M¥2.34, and by the small farms M¥2.02, giving an average of M¥2.46 as against M¥1.94 for the previous year, the rise of 52 fen being due to an increase in local tax owing to a readjustment of local administrative facilities.

(h) Seeds

The average amount of seeds purchased by each farm per shang was M¥1.97 as against M¥1.13 for the preceding year. As causes of the increases are given changes in crop plantings and the higher seed prices. The average seed purchase by the large farms was M¥2.03 per shang, by the medium farms M¥1.86, and by the small farms M¥2.08.

(i) The expenses (chiefly farm rent) other than those mentioned above averaged M¥6.06 per shang in the large farms, M¥6.67 in the medium farms, and M¥7.17 in the small farms. The average per shang of all the farms was M¥6.78, representing an increase of M¥3.38 over the year before. It would not be a mistake to regard this rise as being due chiefly to the higher prices of cereals which the tenant farmers used in the payment of their rentals to the landlords in lieu of cash.

V. A COMPARISON BETWEEN THE INCOME AND EXPENDITURE OF THE FARMS PER SHANG IS GIVEN IN THE THREE TABLES

(a) *Income and expenditure of the farms classified according to their size :*

Classifications	Income	Expenditure	Balance	Balance for previous year	Increase or decrease
Large farms	61.52	43.42	18.10	9.09	9.01
Medium farms	49.13	35.86	13.27	7.30	5.97
Small farms	58.45	44.92	13.53	5.23	8.30
Average	54.66	40.55	14.11	7.85	6.26

(b) *Income and expenditure of the farms classified according to their ownership :*

Classifications	Income	Expenditure	Balance
Independent farms	56.87	47.38	9.49
Independent and tenant farms combined.	38.54	31.32	7.22
Tenant farms	39.59	40.10	-0.51
Average	54.66	40.55	14.11

(c) *Income and expenditure of the farms classified according to their location :*

Districts	Income	Expenditure	Balance
Hsinking-Harbin rly. district	46.52	38.60	7.92
Harbin-Peianchen rly. district.....	70.81	51.40	19.41
Tsitsihar-Peianchen rly. district	49.25	32.63	16.62
Harbin-Manchouli rly. district	34.89	24.31	10.58
Harbin-Suifenhoo rly. district	40.78	38.84	1.94
District in the lower reaches of the Sungari	71.96	53.42	18.54
Other districts	27.85	23.80	4.05
Average	54.66	40.55	14.11



THE S. M. R. HYGIENIC INSTITUTE

Medical science has progressed from therapeutics to preventive medicine in which marked development has been made in various countries of the world in recent years. In Manchuria preventive work is largely promoted and carried out through the medium of the Hygienic Institute in Dairen, founded in 1925 by the South Manchuria Railway Company, whose multifarious activities cover every form of business in addition to the management of schools, hospitals and scientific institutes.

The establishment of the Hygienic Institute represented the first important step to be taken in Manchuria to conquer the dreaded epidemics rampant almost all the year round, due chiefly to the peculiar climate and social conditions in the country. Despite the crying need for some such specific establishment to discover effective means for checking and exterminating the diseases, the former northeastern militarist Government had paid practically no consideration to the promotion of public health.

The first director of the Hygienic Institute was Dr. Shoji Kanai, at present Governor of Chientao Province, who ably fulfilled the difficult task of laying the foundation for the development of the institution. The present director is Dr. Khoji Ando, who was chief of the Bacteriological Section at the time the Institute was founded.

With the years that have passed since its establishment, the Institute's work has been greatly expanded and has contributed much to the advancement of public health and sanitation in Manchuria and Mongolia. Especially since the birth of the New State of Manchou-



Dr. Shoji Kanai (left), the first director, and Dr. Khoji Ando (right), the present director, of the S.M.R. Hygienic Institute



The Hygienic Institute, Dairen

kuo in 1932, the Institute's sphere of investigation and research has undergone a marked expansion and the demand for its manufactures has doubled.

The Hygienic Institute is divided into seven Sections—namely Bacteriological, Serological, Vaccine, Pathological, Chemical, Hygienic, and General Affairs—but actually, the work of these sections is closely correlated. Besides conducting research and investigation, the Institute manufactures some fifty different kinds of sera, vaccines, medicines and diagnostic preparations. It is also actively engaged in the spread of hygiene among the masses. The institute at present employs 107 persons. Its assets, as in March 1936, were estimated at 400,000 yen. Its total expenditures (excluding special allowances for the employees) last year were calculated at 230,000 yen, while its income from the sale of its manufactures amounted to 170,000 yen.

The sphere of the Institute's research and investigation embraces (1) contagious diseases especially prevalent in Manchuria, such as the plague, endemic and epidemic typhus, scarlet fever, glanders and typhoid fever, (2) nutrition and (3) environmental hygiene. A more detailed description of the above three categories of research follows:

I. RESEARCH ON CONTAGIOUS DISEASES

1. *The Plague.* Manchuria is one of the worst plague-infested countries of the world and no less than 2,000,000 yen has been spent by the S. M. R. Company alone for the prevention of this dreaded epidemic. The first outbreak of the plague occurred in 1910-11 and, since then, the country has been visited by it ten times, with the loss of tens of thousands of lives.

Through the self-sacrificing efforts of the Hygienic Institute's research workers, it was discovered in 1928 that the western part of Manchuria near Taonan, Chengchiatun and Tungliao and adjoining Mongolia was the plague endemic area. This significant discovery was followed by the further revelation that the strange, acute contagious disease greatly feared by Manchurians and Mongols was in reality the plague.

Encouraged by the above discovery, the Hygienic Institute commenced a basic investigation of the plague in 1928. It collected some 50,000 Inner Mongolian rodents, classified them into groups, carefully examined them and succeeded in clarifying the relation between animal plague and human plague, the epidemiology of the plague peculiar to Manchuria and Mongolia, and its route of infection. For the prevention and cure of the plague, the Institute invented an efficient vaccine made from the residue of the plague bacillus after the bacterial cell substance had been extracted from it. This new vaccine is being supplied to the public under the name of pest-immunogen. Last year some 300,000 persons in the plague-infested districts in Manchuria were inoculated with this vaccine, and thus many lives, which would otherwise have been lost, were saved. The Institute further succeeded in greatly facilitating preventive work by perfecting such methods of diagnosis as the identification of plague patients by the precipitation of their urine and the thermoprecipitation of plague cadaver.

With the establishment of new plague investigation offices in Tungliao and Halahai in 1934, practical use was made of the new discoveries of the Institute in the plague-infested districts, with gratifying results. Whereas in 1933 the known deaths from the plague alone had

numbered two thousand several hundred in some 90 villages, the figures three years after dropped to 169 deaths in 21 villages despite the growth of the number of cases of plague discovered.

2. *Endemic and Epidemic Typhus.* Epidemic typhus has frequently broken out in all parts of the country and is one of the most-dreaded contagious diseases in Manchuria. An eruptive fever somewhat similar to epidemic typhus has also since early times been known in the country. This disease is endemic and is popularly known as Manchurian fever or typhoid. The Hygienic Institute has devoted much time to the study of both of these diseases, but it was not until 1929 after exhaustive effort that the causative agent of the latter was finally discovered and named *Rickettsia manchuriae*. It also found out that Manchurian fever was the same disease as the endemic typhus in the United States, the causative agent of which was also discovered almost simultaneously as that of the former.

Following the discovery of *Rickettsia manchuriae*, the Hygienic Institute examined a number of rats in the districts, where Manchurian fever had broken out, and found within their bodies the same *Rickettsia manchuriae* in large amounts, thereby establishing that rats were the vectors of *Rickettsia manchuriae*. It also became evident that blood-sucking insects parasitic on rats, especially fleas (*Xenopsilla cheopsis*), were the carriers of *Rickettsia manchuriae* to human beings. Having thus discovered the route of infection of Manchurian fever, the Hygienic Institute was able to take fundamental measures for checking the disease.

Furthermore, the Hygienic Institute experimentally demonstrated that pathogenic rickettsia found in faeces

excreted by vermin and fleas not only infect human beings by entering through the skin when scratched, but are also capable of penetrating through the conjunctiva and the nasal mucous membrane. Thus it was able to clear up the cause of the deaths of so many scientists who had died from laboratory infection while engaged in the study of typhus, despite every care taken by them against contracting the disease. Up to last year eight persons of the Hygienic Institute had contracted typhus, one of them dying. However, as it has succeeded in manufacturing an efficacious vaccine out of *Rickettsia manchuriae* cultivated in the bodies of vermin, the danger of fatality from typhus has been greatly lessened.

3. *Scarlet Fever*. In Manchuria scarlet fever is regarded as an endemic disease and is one of the five principal contagious diseases attacking children. In 1925 both the morbidity and mortality among the Japanese in Manchuria from this disease were found to be the highest in the world. In view of the urgent necessity of checking and exterminating this malignant epidemic, the authorities concerned in 1926 organized a scarlet fever prevention committee, on which the research agencies throughout the country were represented, and entrusted to it the study of scarlet fever. Research which proved highly fruitful, was carried out at various places, the Hygienic Institute also participating and producing numerous results.

By the application of the Dick test, the Hygienic Institute discovered that the Japanese in Manchuria were far more susceptible to scarlet fever than the Manchurians, which fact explained the high morbidity of the Japanese. The Institute also made a comparative study of many strains of hemolytic streptococcus from

which it selected a strain producing the most potent toxin, and manufactured from this toxin an efficient, purified scarlet fever toxoid and a potent antitoxin. Both are extensively used by the Institute, the former for inoculation and the latter for cure. For the past several years children attending kindergartens and schools along the S. M. R. lines have been inoculated with scarlet fever toxoid, with remarkable results. Scarlet fever which was dreaded as the scourge of children ten years ago, is thus to-day no longer feared by the public.

4. *Glanders.* This epidemic is prevalent throughout the country and it is estimated that as many as 30 per cent of the horses in North Manchuria and 15 per cent in South Manchuria are infected with this disease. Although it generally attacks only members of the equine family, there have also been many cases of human beings contracting the disease. The extermination of this malady is consequently a matter of grave importance to man as well as to animal.

Fortunately there has been a marked decrease in the number of cases of glanders, especially in the Kwantung Leased Territory, in recent years due to active preventive work. For instance, whereas in 1927 when the Hygienic Institute examined 1,300 carriage-horses in Dairen, 1.3 per cent of them were found to be suffering from glanders, eight years later, in 1935, out of the 4,700 horses examined in the Kwantung Leased Territory, the percentage had fallen to 0.17.

The number of cases of glanders in the principal cities along the S. M. R. lines is also markedly falling year after year, but it constitutes only a fraction of the total number throughout Manchuria. Thanks, however, to the preventive work being carried out by the S. M. R.

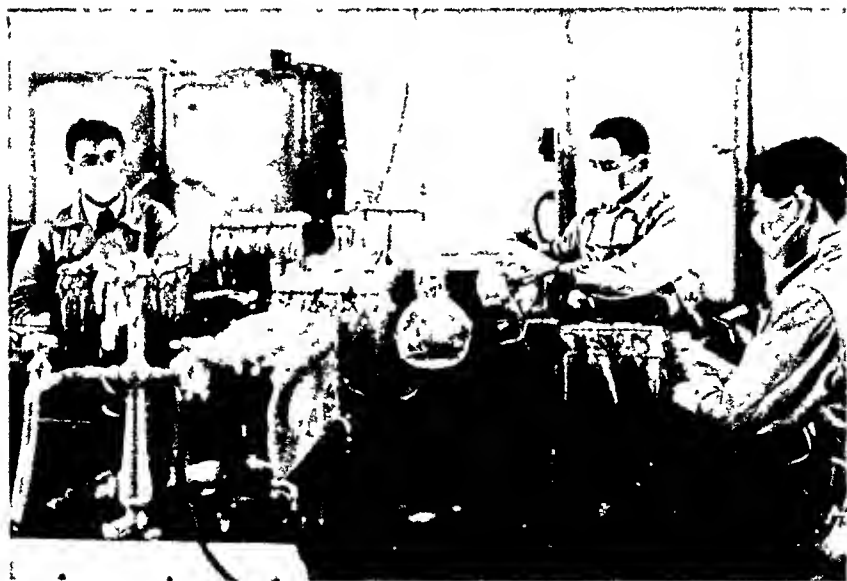
Veterinary Institute in cooperation with the Glanders Investigation Institute recently founded by the Manchoukuo Government, it is believed that it will not be long before this terrible form of animal epidemic will be wiped out from Manchuria.

5. *Smallpox*. Unlike smallpox in Japan, this epidemic in Manchuria is practically prevalent all the year round. Its prevention is therefore a matter of vital importance to the promotion of public health. Up till the Manchurian Incident, the demand for smallpox vaccine was very small, only about 100,000 persons being vaccinated yearly, but since then it has markedly increased, and the Hygienic Institute at present supplies enough vaccine for inoculating 4,000,000 persons. The Institute has invented an efficacious, refined smallpox vaccine for hypodermic injection, which method is widely used in the inoculation of large numbers of coolies. The Hygienic Technical Institute, founded last year by the Manchoukuo Government, is also actively engaged in smallpox preventive work, vaccinating over several million persons annually. Through the active cooperation of these two institutions, it is hoped to rid Manchuria of smallpox before long.

6. *Rabies or Hydrophobia*. Though almost exterminated in Japan, rabies is still rampant in Manchuria and has taken a heavy toll of lives. In the cities along the S.M.R. lines alone, over 1,000 persons are inoculated annually with rabies vaccine, but the figure represents only a fraction of the total number of similarly treated throughout Manchuria. As in Japan, the spread of the disease, however, is being now checked principally by the inoculation of dogs since nearly all cases of hydrophobia are due to the bite of rabid dogs. The Hygienic



Research workers of the Hygienic Institute examining water



Plague Investigation Laboratory

Institute which is playing an important rôle also in checking rabies, has invented a preventive against the disease for human use, which does away with vaccination and its attendant unpleasantness.

In addition to the above-mentioned contagious diseases, the Hygienic Institute is devoting its study to the prevention and extermination of diphtheria, typhoid fever, anthrax and dysentery.

II. NUTRITION

The food and nutrition problem in Manchuria is also receiving increasing attention because of its close relation to public health. Manchuria's peculiar natural and social environment and the marked difference in the characteristics of the various races inhabiting the country give an added complexity to the nutrition problem.

Since 1929 the Hygienic Institute has been investigating the food resources in Manchuria and studying the nutritive value of the staple articles of food of the Manchurians, Mongols and Japanese. It has also been making a comparative study of metabolism in the Japanese and Manchu races and endeavouring to improve their diets by discovering for each the most suitable nutritive foodstuffs, taking into consideration the physical and social conditions of each race.

Furthermore, the Hygienic Institute has made a study of the children in Manchuria, especially Japanese, from the standpoint of dietetics and discovered that the constitutional defects and weaknesses of the latter, such as slenderness, rickety constitution, anaemia, tooth-carries, and myopy (near-sightedness), which make them easily susceptible to disease, are chiefly due to the scarcity of mineral substances and vitamins within their system.

This in turn is caused by the restricted production and consumption of such indispensable articles of food as vegetables, fruits, milk and marine products, owing to natural and economic factors. In view of this fact the Hygienic Institute, for the past several years, has devoted much attention to improving the nutrition of the school children in Dairen and the S.M.R. Zone, especially by giving nutritious food to children at school.

III. ENVIRONMENTAL HYGIENE

In the field of environmental hygiene, the Hygienic Institute's efforts have been directed to the study of the housing problem, dust and smoke in cities, and water. For studying the housing problem, the Institute built within its compound twenty houses with various construction materials and studied the relation of the walls and roofs to the preservation of heat and to temperature and ventilation. The results of its investigation have been utilized in the construction of residences for S.M.R. employees, wherein the Railway Company spends an enormous sum annually, and in the improvement of farm-houses.

As regards the dust and smoke problem in cities, the City of Dairen, on the basis of investigations conducted by the Hygienic Institute during the past two years, has enacted Smoke Prevention Regulations and is doing everything within its power to purge the city of smoke and dust that are a menace to public health. Similar work is also being carried on in the other cities of Manchuria.

Since the foundation of Manchoukuo, the Hygienic Institute has been conducting an examination of water in all parts of Manchuria and also studying ways of

purifying bad water. In the struma-infested Jehol district, the Institute has discovered that the prevalence of the disease is due to the lack of iodine in the system of the local population. For the extermination of this malady the Institute is supplying the inhabitants with jod-tablets, and also putting iodine into the water mains and wells.

Thus the most up-to-date scientific knowledge is being utilized in improving public health and sanitation in Manchuria, with the full cooperation and encouragement of the new régime there.



CURRENCY AND FINANCIAL SITUATION IN MANCHURIA

Entering the fifth year of its establishment, the youthful state of Manchoukuo continues to make steady progress in all fields of reconstruction—its foundations are becoming increasingly stronger. The amazing progress now seen in Manchoukuo, the establishment of an efficiently functioning government and the spirit that is remaking the former land of the Changs into a modern nation, represent one of the great marvels of the present day, arousing the admiration of even Manchoukuo's most critical observers as is evident from press reports and comments appearing in England, United States, Germany and other countries of the world. Outstanding among the remarkable achievements made by the new régime are financial rehabilitation and the establishment of a sound stabilized national currency, which has supplanted the variegated forms of highly depreciated paper money which flooded the country under the former régime.

Upon the currency system and the currency policy of any country depends the livelihood of the people. They, moreover, form the basis of the country's credit abroad, their soundness or unsoundness immediately reflecting upon the prosperity or decline of the nation.

During the former militarist régime, the currency in Manchuria was bafflingly complicated and varying in kind,¹ which coupled with the excessive issues of banknotes by the various provincial banks (called the *Kuan-yinhao*) and the Frontier Bank without the backing of

¹ Fifteen different kinds of paper money comprising of no less than 136 denominations were in circulation.

adequate reserves, led to the complete destruction of the monetary system, thereby inflicting tremendous losses upon the nation at large. Manipulated freely by the old Government, all these banks were vested with the privilege of issuing notes and functioned as if they were the central banks of the provinces to which they belonged. Further, a note called the *Ssutieh*, which was issued separately by various *hsien* (counties) and influential public bodies, was circulated to a tremendous amount. Some kinds of the *Ssutieh* gradually lost public confidence and finally were regarded as mere scraps of paper. In addition to these institutions, there were Japanese and Russian banks which issued their own notes, further adding to the confusion of the money market.

Because the provincial banks were accustomed to deal extensively in the bean trade, they used to pay for their purchases in bank-notes commanding comparative confidence of the farmers in various localities. The latter would obtain considerable sums of money in paper which, to their dismay, rapidly and severely depreciated, with the result that on occasion the farmers received almost nothing for their year's harvest, and the consequent misery was beyond description. On the other hand, the provincial banks made it a rule immediately to take over such depreciated notes at extremely low values and thereby achieved tremendous profits to satisfy, at the sacrifice of the nation, the selfish ends of the militarist clique.

Considering that this state of affairs was inimical to financial, economic and industrial reconstruction and that the distress and destitution under which the nation was groaning had to be quickly dealt with, the Govern-

ment of Manchoukuo realized the urgent need of a unified and stable currency system and hastened to establish the Central Bank of Manchou to pave the way for that end. Thus, on June 11, 1932, the Currency Law of the State² was promulgated for the purpose of establishing a sound monetary system, and on June 15 the Central Bank of Manchou was formally established.

The Currency Law prescribes a fixed quantity of pure silver as the unit of monetary value and, without minting the standard coin, the notes issued by the Central Bank of Manchou are made legal tender. Although there are no provisions as regards the conversion of notes, the Central Bank is required to hold, as reserve, a sum equivalent to 30 per cent or more of the total amount of notes issued, in gold or silver bullions, reliable foreign currencies and deposits with foreign banks in gold and silver accounts. Figures published by the Central Bank indicate that this rule has been faithfully observed, the specie reserve being almost always more than 50 per cent of the total note-issue, on only one occasion going as low as 44.4 per cent. The Central Bank maintains the stability of currency through the control of note-issue and also through purchase and sales of necessary silver bullion. At the same time, it retains the international value of the currency by transactions in foreign currencies. This characteristic system may be termed a silver standard controlled currency.

The Central Bank of Manchou was established with an authorized capital of 30,000,000 yuan (new national currency), of which 15,000,000 yuan has been paid up in two payments to date. Simultaneously with its com-

² The Currency Law and the Law of the Central Bank of Manchou are given at the end of this article.

mencement of business, the Bank amalgamated the four old note-issuing banks—the Fengtien Provincial Bank, the Kirin Provincial Bank, the Heilungkiang Provincial Bank and the Frontier Bank—and its main office and branches throughout the country formally opened their business on July 1. While the organization of central Banks of other countries has required considerable preparation, the fact that Manchoukuo successfully and quickly finished extensive and complicated inquiries and worked out regulations relevant to the creation of a stable currency system, merits unusual attention. From this it can be easily inferred what importance the Government of Manchoukuo attached to the unification and standardization of currency and to the establishment of a sound monetary system.

By a special decree of the Department of Finance, the 15 different kinds of paper money issued and circulated by the old banks were declared valid for two years from July 1 at rates fixed officially. The old notes taken over by the Bank at its opening in exchange for the new notes issued in accordance with the Currency Law amounted to 142,234,881 yuan. This represents the total amount of the new notes issued by the Bank when it was opened. In the accompanying table are given the kinds and amounts of the old notes taken over:

Old Notes	Original Face Value (in yuan)	Value Converted into New National Currency (in yuan)
Big Money Notes	43,657,280.79	43,657,280.79
Harbin Big Money Notes	39,192,369.11	31,353,895.29
Fengtien Big Money Notes.....	949,673,135.50	18,993,462.71
Copper Money Notes	68,770,968.55	1,146,182.81
Kirin Official Notes	10,310,251,331.97	20,620,502.66
Kirin Big Money Notes	9,065,488.74	6,973,452.87
Kirin Small Coin Notes	11,849,286.00	236,985.72

Old Notes	Original Face Value (in yuan)	Value Converted into New National Currency (in yuan)
Heilungkiang Official Notes	8,176,574,895.00	4,867,008.87
Heilungkiang Big Money Notes...	16,680,485.70	11,914,632.64
4% Bonds	31,600,673.00	2,471,476.64
Total	19,660,415,914.36	142,234,881.00

The following table gives in detail the kinds of old paper money prescribed for recovery at official rates in the regulations governing the adjustment of the old currency, which were promulgated by Ordinance No. 38 dated June 27, 1932, and the official rates for exchanging them with the new notes :

Kinds of Old Currency	Exchange Rates for 1 yuan of New National Currency
1. Convertible notes issued by the Fengtien Provincial Bank (excluding Tientsin Notes)	1.00 yuan
2. Convertible notes issued by the Frontier Bank (Tientsin Notes excluded)	1.00 yuan
3. Convertible notes issued against the Joint Reserve Fund of Four Fengtien Banks.....	1.00 yuan
4. Exchange-draft notes issued by the Fengtien Provincial Bank.....	50.00 yuan
5. Copper notes issued by the Kung Tsi Bank of Fengtien	60.00 yuan
6. Notes issued by the Fengtien Provincial Bank (Harbin currency with official seal)	1.25 yuan
7. Notes issued by the Kirin Provincial Bank (Harbin currency with official seal)	1.25 yuan
8. Notes issued by the Heilungkiang Provincial Bank (Harbin currency with official seal)	1.25 yuan
9. Notes issued by the Frontier Bank (Harbin currency with official seal)	1.25 yuan
10. Notes issued by the Kirin Provincial Bank (Kuan-tieh)	500 chiao
11. Notes issued by the Kirin Provincial Bank (Small money)	50.00 yuan
12. Notes issued by the Kirin Provincial Bank (Big money)	1.30 yuan
13. Notes issued by the Heilungkiang Provincial Bank (Kuan-tieh)	1,680 chiao
14. 4% bonds issued by the Heilungkiang Provincial Bank	14.00 yuan
15. Notes issued by the Heilungkiang Provincial Bank (Big money)	1.40 yuan

Resorting to various appropriate ways and means, the Government of Manchoukuo, through the Central Bank of Manchou, had secured by the end of June 1934, the withdrawal of practically all of the old notes, the amount recovered when the time of their validity expired on July 1, 1934, being 93.1 per cent, and at the end of June of the following year—the Government having decided to extend the period by a year in the interest of persons still possessing such notes—no less than 97.17 per cent had been turned in in exchange for the new currency. Within such a short period the Government had successfully accomplished the huge task of weeding out all the monetary evils that had existed in the country for half a century past, and deserves the praise of the whole world. “A miracle of the world” is the praise of the *London Times* on the successful enforcement of the new currency system in Manchoukuo, where reform of currency was considered next to impossible.

As has been already mentioned, the Central Bank of Manchou at first followed the policy of maintaining the value of the Yuan equal to the price of 23.91 grammes of pure silver and was able to retain its stability through the control of money in circulation and also through transactions in silver and exchange on Shanghai. However, it was not long before it was found extremely disadvantageous to continue linking the Yuan with silver, owing to the United States embarking upon a silver purchasing programme. Affected by the United States’ policy of boosting the price of the white metal, the price of silver, dissociating itself from general commodity prices, began to move upward from the autumn of 1934, and as a consequence the equilibrium between silver and commodity prices was broken, causing a rise in

currency values and a fall in commodity prices in the countries with silver currencies. In order to reduce the disturbing effects of the violent fluctuations in the value of silver to the minimum, the Central Bank watched the developments in the silver situation and endeavoured to prevent any violent changes in currency values and commodity prices by managing its currency so that its rise was limited to only one half of that of silver. In this way the Central Bank, while keeping an eye on the silver situation, neither linked its currency to silver nor divorced it from the white metal. This policy was pursued until March 1935.

In the meantime, the fluctuations in the price of silver became increasingly violent; the London bar silver quotation on April 25th advanced to about 34 pence from 32 pence or so the previous day, and rose sharply further to over 36 pence the next day, but soon dropped to around 33 pence again, manifesting a very erratic tendency. Awakening to the fact that if the national currency continued to be linked with silver, its value would rise and fall violently and cause serious disturbances to the economic world, the Central Bank finally decided to divorce the national currency from silver and shifted over to the policy of a simple managed currency, having for its object the stabilization of commodity prices. As a result the internal value of the currency was stabilized notwithstanding the drastic rise in the price of silver abroad. Commodity prices also became stable.

Meanwhile the economic relations between Manchoukuo and Japan were steadily enhanced. With the divorcing of Manchoukuo's currency from silver, this tendency was accelerated, so much so that proposals were advanced that the currencies of Japan and Man-

choukuo should be controlled and unified to unite the economy of the two countries.

At the time the Manchoukuo currency was first completely divorced from silver, the Yuan retained a relatively stable value in relation to the Japanese Yen at around 107 and 108 Yen against 100 Manchoukuo Yuan. But when the Manchoukuo currency began to have a stable relation to the Japanese currency, without being influenced by the fluctuations in the price of silver, it became to be generally talked about that the Manchoukuo currency was being controlled with the object of bringing it to par with the Japanese currency. This view gradually gained ground, and the value of the national currency which had been stabilized against the Japanese Yen at around 107 to 108 Yen gradually approached the Japanese Yen in value. Thus step by step, through the months of May, June, July and August, it became closer and closer the Yen, finally reaching parity in September. It has remained so ever since.

In view of the importance of Japanese capital to the economic reconstruction of Manchoukuo, the authorities of the Hsinking Department of Finance and the Central Bank of Manchou, taking advantage of the parity of Japan-Manchoukuo exchange, held a series of negotiations with the authorities of the Tokyo Ministry of Finance and established a policy of stabilizing the national currency at par with the Japanese Yen. On November 4, 1935, both the Japanese and Manchoukuo Governments issued statements at home and abroad announcing their plan for the stabilization of Japan-Manchoukuo exchange. The gist of the Manchoukuo Government's statement follows :

The Government has been for some time past making efforts

to stabilize the exchange rate of the national currency against the Japanese currency. As a result of such endeavours, our currency has attained its ideal point of stabilization, being at par with the Japanese Yen since the early part of last September.

It is very encouraging to us to learn that the Japanese Government, fully realizing the intent of our policy, has decided to render every assistance for its execution. We are, therefore, convinced that this support on the part of the Japanese Government will greatly contribute toward strengthening further the basis of our monetary system. Its effect will be far-reaching inasmuch as the Japanese Government has decided on the fundamental policy of withdrawing from circulation in Manchoukuo the notes of the Bank of Chosen, which, in the past proved likely to hinder the stabilization of our currency, and has made it clear that it will take necessary measures to that end, expressing at the same time its intention of inducing its officials and people resident in this country to use our money as far as possible.

Since what Manchoukuo aims at is nothing more than the unification and strengthening of her currency system, it is sincerely hoped that all the Japanese banks in Manchoukuo will bear in mind the fundamental policy mentioned herein and endeavour to discharge their functions as credit agencies more efficiently than ever for the promotion of trade between the two countries, as well as in the development of industries in Manchoukuo.

The Japanese Government's statement was in substance as follows:

In view of the special and close relationship between Japan and Manchoukuo and of the latter's efforts to stabilize and unify her currency, our Government at to-day's Cabinet Council session came to the conclusion that it was appropriate to unify our bank notes in circulation in Manchoukuo under the Manchoukuo national currency at a suitable time and thereby contribute to the stabilization of the value of that currency.

In effecting such unification, however, not only is it necessary that precautions should be taken to prevent any disruption to the economic relations between the two countries, in particular, to our investments there, but it is also important that the withdrawal of Japanese bank notes should be effected gradually, as this step involves numerous matters requiring serious consideration, such as the relinquishment of our extra-territorial rights, the adjustment or transfer of the administrative rights

within the S. M. R. Zone, the probable effect on our banks subsequent to the proposed currency unification, etc. The Kwantung Leased Territory is not included in the area wherein the currency is to be unified.

Based upon the aforementioned policy, we have decided to proceed by first exercising necessary control over the business in Manchoukuo of the Bank of Chosen, and to allow it to conclude some suitable business agreement with the Central Bank of Manchou.

Next, when exchange control is put into force in Manchoukuo, we hope to give proper consideration to our own exchange control so as to enable that nation to achieve the best result, at the same time causing our banks in Manchoukuo to cooperate in this matter. Furthermore, we shall encourage our officials and people in Manchoukuo to use the Manchoukuo currency as far as circumstances permit.

In accordance with the purport of the statements issued by the two Governments, the Bank of Chosen and the Central Bank of Manchou immediately entered into negotiations for a business agreement which was formally concluded on December 6, 1935. The main points of the agreement are:

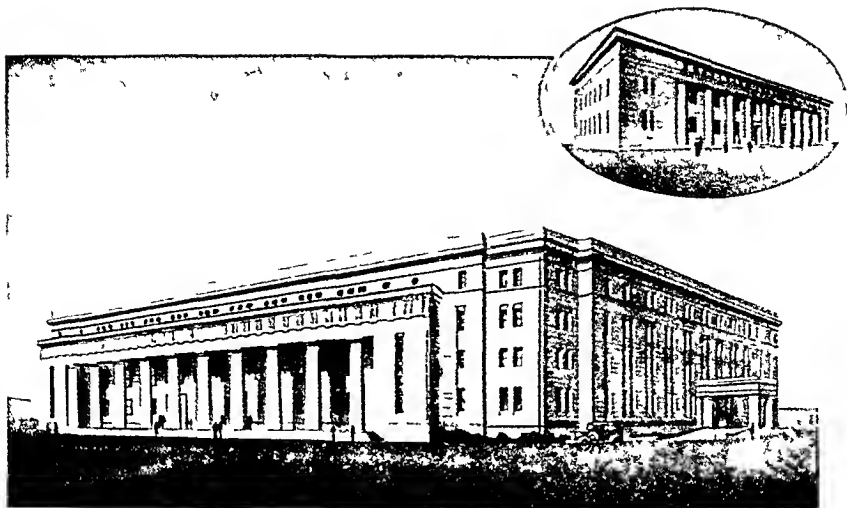
- (1) The Bank of Chosen agrees to extend full support to the Central Bank of Manchou in unifying currency in Manchoukuo and to assist in maintaining Japan-Manchoukuo exchange at par.
- (2) Within Manchoukuo, the Bank of Chosen shall make it a principle to accept deposits and advance loans in Manchoukuo Yuan.
- (3) The Central Bank of Manchoukuo shall accept to any unlimited amount the notes of the Bank of Chosen presented by the Bank of Chosen in exchange for the Manchoukuo Yuan at par. Further, the Central Bank of Manchou shall give the same amount in the Japanese Yen in return for the Manchoukuo currency returned to it by the Bank of Chosen.
- (4) The notes of the Bank of Chosen in possession of the Central Bank of Manchou shall be deposited with the Bank of Chosen as a reserve for the issuance of notes by the Central Bank of Manchou.

- (5) All remittances to and from Japan of the Central Bank of Manchou shall be handled through the Bank of Chosen.
- (6) The agreement shall remain in force for one year from the date of its signing.

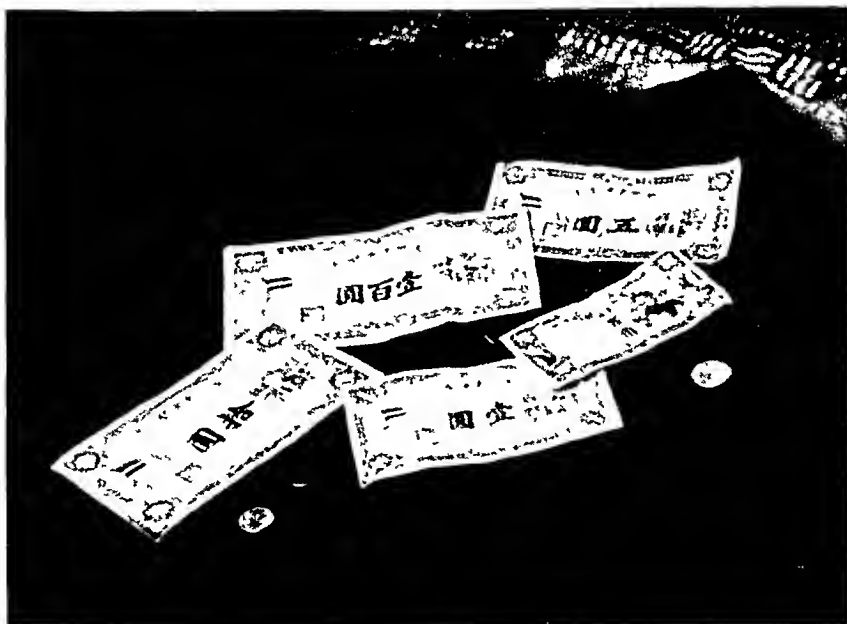
Furthermore, in order to prevent the flight of capital from the country and to restrict speculations in bullion and exchange, the Manchoukuo Government on November 20th promulgated the Exchange Control Law and two relative ordinances of the Department of Finance, these measures coming into force on December 10, 1935. The adoption of these measures had an exceedingly smooth effect in that the stability of commodity prices was not impaired in any way by the divorcing of the Yuan from silver. As a result, although the currency system of Manchoukuo prescribes a fixed quantity of pure silver as the unit of monetary value called the Yuan, the national currency is in fact linked with the Japanese Yen and is a "controlled currency based on the Japanese Yen."

In accordance with the foregoing policy, the authorities of the Department of Finance, in their efforts to bring about a greater stabilization of the national currency, abolished in October of last year the circulation of the convertible silver yen notes³ (popularly known among Manchurians as *chaopiao*), issued by the Dairen branch of the Yokohama Specie Bank since 1906 by Imperial Ordinance No. 247. Due to their comparative stability, these silver notes enjoyed a wide circulation in all the more important cities of Manchuria and along the South Manchuria Railway Zone during the former régime, when there were no other stable and reliable

³ As reserve for converting the notes, the Yokohama Specie Bank held old Japanese Yen silver coins containing 374.00 Troy grains of pure silver.



The new building of the Central Bank of Manchou under construction at Tatung Square, Hsinking. Upper right: the present head office of the Central Bank



Manchoukuo's new national currency

currencies, and played a very important role as a means of financing the staple produce trade and as currency for use in exchange dealings. However, as the Manchoukuo Yuan came to be stabilized and to enjoy a high degree of confidence everywhere, the *chaopiao* lost its *raison d'être* and its abolition was considered merely a question of time. Thus, the *chaopiao* was abolished in Manchuria on November 1, 1936, without producing practically any adverse effects upon Manchurian economic circles.

Manchoukuo's currency unification and stabilization policy reached its final goal in December with the establishment of the Industrial Bank of Manchou and the conclusion of an agreement between the Central Bank of Manchou and the Bank of Chosen for the complete withdrawal of the latter's notes in circulation in Manchoukuo. Simultaneously with the establishment of the Manchou Industrial Bank, all the branches of the Bank of Chosen in Manchoukuo were closed and it was decided upon that the Central Bank of Manchou withdraw the Bank of Chosen notes.

When one reflects upon the pessimistic outlook of the Lytton Report which stated: "...it is not clear how the new "Manchoukuo" Bank can hope to accomplish its ambitious programme of unifying and stabilizing all Manchurian currencies with the limited amount of capital at its disposal,"⁴ it can be readily perceived how difficult was the task of unifying and stabilizing currency within the short period of five years. Such a remarkable achievement is worthy of special mention in the annals of the world's monetary history.

In sharp contrast to the former militarist régime's

⁴ Chapter 6, Part 2: "The Present Government of Manchoukuo."

policy of exploiting the people by issuing unlimited amounts of inconvertible paper money, Manchoukuo's currency policy is being advanced for the purpose of promoting the economic reconstruction of the country and of stabilizing the life of the people. As a result, it has aroused the confidence of the people in the national currency and is the principal factor in the establishment of a sound currency system even in adverse circumstances when the world at large was suffering from economic turmoil. Hardly necessary is it to state that the increasing stability of Manchoukuo's currency is attributed to three other factors—the whole-hearted support of the people for the currency system, well-balanced finances and a balanced foreign trade.

In the following table is given the amount of notes issued by the Central Bank of Manchou since its establishment:

End of month	Total issues (yuan)	Specie Reserve (yuan)	Ratio of specie reserve to total note issues (%)
1932 July	139,055,878	79,158,142	56.9
Dec.	151,865,369	77,849,098	51.3
1933 Jan.	154,851,604	87,859,438	56.7
Apr.	130,081,042	73,621,509	56.6
Aug.	107,490,441	71,933,352	66.9
Dec.	129,223,638	67,567,820	52.9
1934 Jan.	129,809,868	68,529,237	52.8
Apr.	115,857,923	64,807,892	55.9
Aug.	109,311,712	62,130,132	56.8
Dec.	168,332,756	74,818,912	44.4
1935 Jan.	172,562,335	81,216,756	47.1
Apr.	131,099,596	60,779,579	46.4
Aug.	124,664,529	64,027,162	51.3
Dec.	178,655,996	92,230,971	57.6
1936 Jan.	170,564,494	98,590,942	51.8
Feb.	178,491,494	97,058,827	54.4
Mar.	169,713,549	103,407,344	60.9
Apr.	155,720,070	106,140,628	68.2

End of month	Total issues (yuan)	Specie Reserve (yuan)	Ratio of specie reserve to total note issues (%)
1936 May	139,514,459	97,173,128	69.6
June	133,864,993	94,952,465	70.9
July	131,978,167	93,863,820	68.8
Aug.	139,138,659	92,480,593	68.4
Sept.	145,421,253	99,173,882	68.2
Oct.	165,054,107	108,276,147	65.6
Nov.	205,459,864	136,809,467	66.6
Dec.	254,243,414	177,181,243	69.7

The accompanying table gives the Central Bank of Manchou's exchange quotations since its establishment:

	On Japan Y	On New York \$	On London s. d.	On Shanghai Chinese \$
1932 July	73.19	20.10	1-1.57	95.72
Dec.	95.82	20.19	1-2.79	100.70
1933 Jan.	97.57	20.25	1-9.49	99.45
Apr.	96.10	21.24	1-2.32	98.09
Aug.	100.80	26.79	1-2.23	97.29
Dec.	109.39	32.96	1-3.37	100.32
1934 Jan.	111.78	33.00	1-3.66	98.49
Apr.	109.61	32.76	1-3.30	97.05
Aug.	111.57	33.28	1-3.76	96.04
Dec.	109.70	31.43	1-3.23	99.00
1935 Jan.	109.40	40.91	1-3.17	98.25
Apr.	109.74	30.95	1-3.36	85.31
Aug.	100.91	29.43	1-2.23	81.04
Dec.	100.00	28.71	1-1.99	97.65
1936 Jan.	100.00	28.93	1-2.01	97.21
Feb.	100.00	29.11	1-1.98	95.00
Mar.	100.00	28.94	1-1.98	97.88
Apr.	100.00	28.84	1-2.01	98.00
May	100.00	29.03	1-2.02	93.30
June	100.00	29.33	1-2.00	98.80
July	100.00	29.30	1-2.01	98.48
Aug.	100.00	29.37	1-2.03	98.50
Sept.	100.00	29.41	1-2.02	98.50
Oct.	100.00	28.57	1-2.00	98.15
Nov.	100.00	28.53	1-2.00	97.24
Dec.	100.00	28.50	1-1.95	97.28

Along with the unification and stabilization of cur-

rency in Manchoukuo, which became the foundation for the economic reconstruction of the New State, remarkable improvement has also been witnessed in the condition of various financial facilities in the country which had hitherto been in extreme disorder owing to the existence of a disunified currency system. Among the various financial organs under the old régime may be mentioned provincial banks, which issued their own paper-notes, and *yinchang*, *chienpu*, *yinlu* (silver smelting shops), and *tangpu*—popular financial bodies which were engaged in handling deposits, loans and exchange. The provincial banks issued practically worthless notes at will in order to furnish the former military cliques and financial groups with funds, while the popular financial organs enriched themselves by speculating in the fluctuating exchange. Thus the masses had no financial organs upon which they might rely and as a result, the financial system had no firm foundation. In addition to these organs, there existed Japanese, Chinese and other foreign financial institutions, with no adequate connections whatever, among them. As a result, the word "disunified" described most adequately the financial condition under the former régime. Under these circumstances, it was urgent to stabilize and unify the monetary system, and the Manchoukuo Government has been striving ever since its establishment to further the project of unifying the currency system as well as to regulate the various financial institutions.

I. THE CENTRAL BANK OF MANCHOU

A joint stock company capitalized at 30,000,000 yuan the Central Bank of Manchou is the central monetary organ of Manchoukuo established by the Government

and has the following three objectives in view in accordance with the Law of the Central Bank of Manchou and the Regulations Governing the Organization of the Central Bank of Manchou:

- (1) to unify and stabilize the currency;
- (2) to function not only as the central banking institute for Manchoukuo but also to engage in general banking business;
- (3) to effect the unity and control of the monetary system, perfect the various financial organs, and to assist in the development of the credit system.

As the present economic condition of Manchoukuo has not yet reached the stage to warrant the establishment of commercial and other kinds of banks which have different spheres of activity, the Central Bank of Manchou, as a measure to cope with the existing transitory period, finds it imperative to engage in general banking business and thereby to afford aid to agricultural and industrial enterprises. Besides advancing loans to those engaged in the staple produce industry⁵ and to farmers for spring sowing,⁶ it also accommodates funds to the Tahsing Company and the Federation of Rural Credit Associations which are financial organs designed to care for the general masses. The Central Bank has

⁵ Either directly or through other banks, the Central Bank accommodates from 30 to 40 million yuan to those engaged in the staple produce industry each business term.

⁶ Advances for spring sowing: As an emergency measure to relieve farmers suffering from floods, the ravages of bandits and from sharp falls in the prices of staple produce, the Central Bank of Manchou advanced loans to the amount of 12,570,000 yuan in 1933, and 7,120,000 yuan in 1934. Since 1935 loans for spring sowing have been made by the Rural Credit Associations. Although the handling of such advances is rather troublesome, as they are chiefly made up of numerous small accounts, good results have nevertheless been obtained from them in promoting the welfare of the farming communities.

at present some 140 branches in the country. Its advances and deposits at the end of November 1936, totalled 130,000,000 yuan and 95,000,000 yuan, respectively.

II. ORDINARY BANKS

Under the former régime, the financial facilities in Manchuria used to be in an extremely disorderly condition, with neither connection or cooperation between them nor any Government control over them—a situation which greatly inconvenienced the inhabitants and seriously impeded the industrial development of the country. Under these circumstances, the Manchoukuo Government, recognizing the urgent necessity of exercising proper control over the disorderly financial facilities for the benefit of the public as well as for promoting the sound development of industries, promulgated the Banking Law on November 9, 1933. This Law stipulated that all financial facilities engaging in (1) accepting deposits and making advances or discounting of bills in addition, and (2) transactions in exchange, will be regarded as banks and will have to obtain the necessary permit from the Minister of Finance to carry on banking business. Thus, *yinchang*, *chienpu* and *yinlu*, being treated as banks, were required to obtain the Finance Minister's permit. According to an investigation made by the Central Bank of Manchou, there are at present 37 such financial facilities conducting business as regular banks, their total deposits and advances at the end of October 1936, amounting to 12,000,000 yuan and 33,000,000 yuan, respectively. As their organization is imperfect and not a few of them possess small capital, every possible assistance is being given by the Govern-

ment to these newly recognized banks with a view to facilitating their development and to improving the situation in the country thereby.

III. POPULAR FINANCIAL ORGANS

(a) *Pawn-shops.* As a financial organ of the masses, pawn-shops called *tangpu* are extensively utilized and are as influential as the ordinary banks. An investigation made by the Central Bank of Manchou reveals that there were 731 pawn-shops in the country at the end of November 1936, and their total advances exceeded 27,000,000 yuan. As mentioned elsewhere, the Central Bank of Manchou, on the occasion of its establishment, amalgamated the three old provincial banks and the Frontier Bank, which managed many subsidiary enterprises, including pawn-shops. In June 1933, a year after its establishment, the Central Bank founded a corporation named the Tahsing Company to engage chiefly in pawn-broking. To this new company was transferred all the pawn-shops operated and controlled by the old banks. By making advances to this new concern, the Central Bank indirectly controls the business of the pawn-shops throughout the country.

(b) *Rural Credit Associations.* During the former régime, there were no officially recognized rural credit organs, and the peasants who comprised 80 per cent of the population, were exploited by usurers, *liangchan* (houses engaged in the wholesale business and warehousing of cereals), and dealers in sundry goods, whose exorbitant terms on loans were beyond expression. Simultaneous with the drastic fall in prices of agricultural products after the world-wide economic depression, the way for advancing funds to the farming population

was blocked, and thereby the development of the agricultural industry was seriously impeded.

Various plans for rehabilitation of the impoverished farming communities by supplying them with funds were studied by the Manchoukuo authorities and it was decided that the establishment of rural credit associations was, in view of the conditions existing in Manchuria, the most suitable policy. As a result, the Government experimentally established two Rural Credit Associations in Fengtien Province in 1933, one each in Shenyang-hsien and Fu-hsien. The experiment turned out to be most encouraging and many similar associations have been founded since in various parts of the country. The success of these organizations led the Government to promulgate the Law Governing Rural Credit Associations in September 1934, and the Federation of Rural Credit Associations was established in Hsinking under the new Law as a guiding financial organ for the Associations. The Rural Credit Associations are corporate juridical persons whose members are composed of farmers living in fixed areas. According to the Law Governing Rural Credit Associations, the nature of their business and their organization are as follows:

1. Business

- (a) Advancing necessary funds to the members for their economic rehabilitation, the amount being up to 200 yuan in case of loans without collateral, and up to 500 yuan in case of loans on security.

- (b) Receiving deposits from the members.

- (c) Receiving fixed deposits from the members.

2. Organization

- (a) Authorization of the Minister of Finance to

be necessary for their establishment after legal formalities have been taken.

(b) Each member to be required to invest a fixed amount (from 5 yuan to 30 yuan). Each member, however, to be given equal voting right.

(c) General assembly of the members to be held so as to act as the highest organ for the execution of their business.

(d) The Minister of Finance to supervise the general affairs of the Associations.

In other words, the Rural Credit Associations, conforming to the spirit of mutual assistance of the members, hope to develop and improve rural economy through financial aid. With much zeal the Manchoukuo Government is endeavouring to promote the development and popularization of these organizations by granting subsidies and making loans to them, as well as by decreeing the Central Bank of Manchou to render financial assistance to the Federation of Rural Credit Associations. According to an investigation made by the Central Bank of Manchou, there were 103 such Associations at the end of November 1936, with a total membership of 130,000. The amount of loans made by these Associations aggregated 12,000,000 yuan.

IV. LONG-TERM FINANCING

With the object of securing a smooth circulation of money by consolidating the banking system in this country and of opening up a new avenue for furnishing long term low-interest funds required for the development of various industries in Manchoukuo, the Industrial Bank of Manchou was established in December of last year by taking over the entire business of

the branches in Manchoukuo of the Bank of Chosen, excluding those in the Kwantung Leased Territory, and of the Shoryu and Manshu Banks. A Manchoukuo juridical person capitalized at 30,000,000 yuan, the Industrial Bank of Manchou, besides inheriting the business of the above-mentioned banks, enjoys the privilege of issuing debentures to an amount fifteen times its paid-up capital. It also engages in the subscription to and the underwriting of local bonds and debentures issued for the industrial development of Manchoukuo. The principal articles of the Manchou Industrial Bank Law are:

Article 1. The Government causes the Industrial Bank of Manchou to be established for the purpose of facilitating the smooth operation of financing business and of supplying funds necessary for industrial development.

Article 2. The Industrial Bank of Manchou shall conduct the following business:—

1. Discounting of bills of exchange and other commercial papers;
2. Making loans on gilt-edged securities or sureties;
3. Receiving deposits and allowing overdrafts;
4. Custody deposits;
5. Exchange business and negotiating documentary bills;
6. Collection of bills for companies, banks and merchants who are regular customers of the Bank;
7. Subscribing to and underwriting local bonds and debentures issued for the industrial development of Manchoukuo; and
8. Inviting subscriptions to national and local bonds, debentures and shares, receiving payments on them, and handling payment of principal and interest or dividend therefrom.

Article 22. The Industrial Bank of Manchou may issue debentures to an amount 15 times its paid-up capital....

Thus, the ambitious leaders of the Manchurian economic circles who, ever since the establishment of the

Central Bank of Manchou, were bending their energy for the realization of a smooth functioning finance system, finally succeeded in drawing up a systematic policy when the Industrial Bank of Manchou came into existence as a financial organization. To recapitulate, as a central monetary organ of Manchoukuo there is the note issuing Central Bank of Manchou, while general banking business and long-term financing are conducted by the ordinary domestic banks and the Industrial Bank of Manchou, and as popular financial facilities there are the Rural Credit Associations and pawn-shops, which are closely related to the Central Bank. Under the control of the Central Bank, all these organs, with their respective spheres of business, are cooperating in the smooth circulation of funds.

According to an announcement of the Department of Finance, the total amount of notes issued by the Central Bank of Manchou at the end of January this year was 260,000,000 yuan. Total deposits and advances amounted to 770,000,000 yuan and 650,000,000 yuan, respectively. As one independent money market, it may be said that the Manchoukuo financial world is still in its infancy. For Manchoukuo, which is faced with the necessity of executing through Japan's assistance her five-year industrial plan involving enormous funds to the amount of two billion yuan, it is of great urgency to pave the way for a sound development of her money market. The Government and the people are striving in concert for promoting smooth inflow of Japanese capital, while at the same time efforts are being made for a sound development of the money market on a solid foundation. In any case, the successful efforts of the Manchoukuo financial authorities in readjusting and

unifying the monetary system of the country, which had hitherto been in complete disorder, and in reorganizing the bafflingly complicated financial and monetary organs within the short period of five years since the foundation of Manchoukuo, merit admiration.

THE CURRENCY LAW

ARTICLE I.

The right of minting and issuing currency shall belong to the Government and the Central Bank of Manchou shall execute the same for the Government.

ARTICLE II.

Twenty-three point ninety-one (23.91) grammes of pure silver in weight shall be the unit of monetary value to be called a "Yuan."

ARTICLE III.

The computation of the currency shall be according to the decimal system; one-tenth of a "Yuan" shall be designated "Chiao," one-hundredth of a "Yuan" "Fen," and one-thousandth of a "Yuan" "Li."

ARTICLE IV.

The currency shall consist of the following nine denominations:

Paper money:—

One Hundred (100) Yuan, Ten (10) Yuan, Five (5) Yuan,

One (1) Yuan, Five (5) Chiao:

Nickel coins:—

One (1) Chiao, Five (5) Fen:

Copper coins:—

One (1) Fen, Five (5) Li

ARTICLE V.

The paper money shall be Legal Tender for any amount. The coins shall be Legal Tender up to a sum equivalent to one hundred (100) times the face value.

ARTICLE VI.

The fineness and weights of the coins shall be as follows:—

- (1) Nickel coins of One Chiao:—
3 grammes in weight (Nickel, 25% ; Copper, 75%).
- (2) Nickel coins of Five Fen :—
2 grammes in weight (Nickel, 25% ; Copper, 75%).
- (3) Copper coins of One Fen :—
3.5 grammes in weight (Copper, 95% ; Tin, 4% ; Zinc, 1%).
- (4) Copper coins of Five Li :—
2.5 grammes in weight (Copper, 95% ; Tin, 4% ; Zinc, 1%).

ARTICLE VII.

Matters relating to the designs, minting, and issuing of currency, as well as those concerning the exchange of damaged currency and destruction of currency shall be made public by Ordinance.

ARTICLE VIII.

Coins or notes which are exceedingly soiled, defaced, or damaged shall be exchanged at their face value by the Central Bank of Manchou without any charge.

ARTICLE IX.

Any coin whose design cannot be fully recognized or which bears privately stamped marks or which is found to be otherwise intentionally damaged shall possess no validity as money.

ARTICLE X.

The Central Bank of Manchou shall hold as reserve a sum

equivalent to thirty (30) per cent or more of the total amount of notes issued in gold and silver bullion, reliable foreign currencies and deposits with foreign banks in gold and silver accounts.

ARTICLE XI.

The Bank's reserve for the balances after deducting the aforementioned reserve from the total note issue shall be held in bonds, notes issued or certified by the Government or gilt-edged securities or commercial papers.

ARTICLE XII.

The Central Bank of Manchou shall prepare and submit reports to the Government in daily statements regarding the increase and decrease of the amount of notes and coins issued and of the reserve, and a weekly average balance-sheet of notes and coins issued and of the reserve. The weekly average balance-sheet shall be made public.

ARTICLE XIII.

The Government shall cause the Supervisor of the Central Bank of Manchou to superintend especially the minting and issuing of currency. The Supervisor may examine at any time the amount of currency issued and unissued and also the Bank's books.

ARTICLE XIV.

Coins and notes hitherto in circulation shall be regulated by the provisions of the Regulations governing the Adjustment of the Old Currency.

SUPPLEMENTARY

The present Law shall come into force on the day of the promulgation.

THE LAW OF THE CENTRAL BANK
OF MANCHUO

ARTICLE I.

The Central Bank of Manchou shall be a joint stock company organized for the purpose of adjusting the circulation of national currency within the State, of safeguarding its stability and of controlling the circulation of money.

ARTICLE II.

The Head Office of the Central Bank of Manchou shall be established at Hsinking with Branch Offices at Fengtien, Kirin, Tsitsihar and Harbin respectively.

The Central Bank of Manchou may, with the approval of the Government, establish Branch Offices and other Sub-offices in districts which are considered important, or commission other banks to be its Agencies.

The Government, when it deems it necessary, may order the Central Bank of Manchou to establish Branch Offices, other Sub-offices or Agencies at desired places.

ARTICLE III.

The period of existence of the Central Bank of Manchou shall be thirty (30) years from the date of sanction of its organization. It may, however, be extended by the decision of a general meeting of the shareholders with the approval of the Government.

ARTICLE IV.

The total capital of the Central Bank of Manchou shall be thirty million (30,000,000) yuan which shall be divided into three hundred thousand (300,000) shares of one hundred (100) yuan each. It may, however, be increased by the decision of a general meeting of the shareholders with the approval of the Government.

ARTICLE V.

The shares of the Central Bank of Manchou may be offered for partial subscription.

ARTICLE VI.

All shares of the Central Bank of Manchou shall be registered. No one shall be permitted to become a shareholder without the special permission of the Government.

ARTICLE VII.

The issue price of each of the shares of the Central Bank of Manchou shall not be lower than its face value.

The amount of the first payment of the capital shall not be less than one-half of the total amount.

ARTICLE VIII.

The Government shall subscribe for fifty thousand (50,000) shares or more of the total shares of the Central Bank of Manchou.

The Government may not transfer or otherwise dispose of any number of its shares of the Bank within the limit specified in the preceding paragraph.

ARTICLE IX.

The Government may subscribe for the shares of the Central Bank of Manchou up to one-half of the total amount.

ARTICLE X.

The business of the Central Bank of Manchou shall be as follows:—

1. Discounting or purchasing Government paper, bills of exchange or other commercial papers;
2. Making loans on gold and silver bullion and on foreign currencies;
3. Buying and selling of gold and silver bullion and foreign currencies;

4. Receiving deposits and allowing overdrafts ;
5. Safe custody of gold and silver bullion, foreign currencies, valuables and various bonds and securities ;
6. Making loans on bonds, Government paper and other securities guaranteed by the Government ;
7. Making loans on gilt-edged securities ;
8. Collection of bills for companies, banks and merchants who are regular customers of the Bank ; and
9. Exchange business, negotiating documentary bills.

In addition to the above, the Bank may, in accordance with its business exigency, purchase national loan bonds, municipal and provincial loan bonds and reliable negotiable papers designated by the Government, and also make unsecured loans to public bodies as well as the Federation of Financial Unions with the approval of the Minister of Finance.

ARTICLE XI.

With the exception of purchasing commodities necessary for the operation of its business, or holding articles received for the settlement of debts, the Central Bank of Manchou shall not purchase any movable property or real estate. Such movable properties which have been accepted for the settlement of debts shall be sold within half a year and the real estate within one year. In case, however, a purchaser can not be found within the said time, or in case the sum offered by the purchaser is considered insufficient, the said period may be extended with the approval of the Government.

ARTICLE XII.

The Central Bank of Manchou shall not accept any shares issued by itself for the purposes of pledge.

ARTICLE XIII.

The Central Bank of Manchou shall not make loans to the officials and employees of the Bank under any circumstances.

ARTICLE XIV.

The Central Bank of Manchou shall mint and issue notes and coins as provided for in the Currency Law.

ARTICLE XV.

The Central Bank of Manchou may borrow money with approval of the Government.

ARTICLE XVI.

The Central Bank of Manchou may deposit funds with a bank approved by the Government.

ARTICLE XVII.

The Central Bank of Manchou may conduct the business of the National Treasury, and may also handle the business connected with public funds of local organizations on their behalf.

ARTICLE XVIII.

The Central Bank of Manchou shall not transact any business other than that provided for in the present Law.

ARTICLE XIX.

The Central Bank of Manchou shall have a Governor, a Vice-Governor, five or more Directors and three or more Auditors.

ARTICLE XX.

The Governor and the Vice-Governor shall both be appointed by the Government; their terms of office shall each be five years. The term of office of each of the Directors shall be four years; they shall be elected at a general meeting of the shareholders of the Bank from among those who hold one hundred (100) or more of its shares and shall assume office with the approval of the Government.

The term of office of each of the Auditors shall be three years; they shall be elected at a general meeting of the shareholders of the Bank from among those who hold fifty (50) or more of its shares.

ARTICLE XXI.

The Directors and Auditors shall continue to discharge their duties even at the expiration of their respective terms of offices until their successors are duly installed.

ARTICLE XXII.

In case any vacancy occurs in the offices of the Directors or Auditors prior to the expiration of their terms of office, a general meeting of the shareholders shall be convened for conducting a by-election to fill such vacancy ; the successor so elected shall continue in office only for the remaining term of his predecessor. Such by-election may not be held, however, if there still remain three Directors or one Auditor in office and if a general meeting of executives shall be of the opinion that there will be no hindrance in the management of the business.

ARTICLE XXIII.

The Directors must deposit with the Auditors one hundred (100) or more shares of the Central Bank of Manchou of their own holding during their terms of office. The aforementioned shares shall not be recoverable, even if the Directors retire, unless the Statement of Accounts of the Bank for the business period concerned is approved by a general meeting of shareholders.

ARTICLE XXIV.

The Governor, Vice-Governor, Directors and Auditors shall not assume any other paid post or engage in other business under whatever name, except when specially approved by the Government.

ARTICLE XXV.

The powers vested in the Governor are as follows :

1. To represent the Central Bank of Manchou in all its business matters ;
2. To carry out all business of the Bank in accordance with

laws, orders, regulations, and a decision of the Board of Directors, a general meeting of the shareholders and a meeting of the executives; and

3. To act as chairman at a general meeting of the shareholders, the Board of Directors and a meeting of executives.

ARTICLE XXVI.

In case the Governor is unable to discharge his duties, the Vice-Governor shall act in his stead; in case the Governor's office becomes vacant, the Vice-Governor shall assume the duties of the Governor. In case both the Governor and the Vice-Governor are unable to discharge their duties, the Government shall appoint one of the Directors to act for the Governor.

ARTICLE XXVII.

The Vice-Governor and the Directors shall assist the Governor and share in the conduct of the bank's business under the Governor's directions.

ARTICLE XXVIII.

The Auditors shall audit the accounts of the Central Bank of Manchou.

The Auditors may elect from among themselves one to be the standing Auditor.

ARTICLE XXIX.

The amounts of compensation and allowances to be paid to the Governor, Vice-Governor, Directors and Standing Auditor shall be those fixed by the Government; those for the Auditors shall be determined at a general meeting of the shareholders subject to the approval of the Government.

ARTICLE XXX.

The Branch Offices at Fengtien, Kirin, Tsitsihar and Harbin may each have a Director.

ARTICLE XXXI.

The Board of Directors shall be composed of the Governor, the Vice-Governor and the Directors. Sessions of the Board of Directors shall be convened by the Governor to decide on all important affairs of the Bank.

ARTICLE XXXII.

Local Committees may be established at important Branch Offices for the purpose of submitting proposals concerning policies on important business matters.

ARTICLE XXXIII.

The Board of Auditors shall be organized by the Auditors; its functions shall be to investigate such items as may be specially designated among the decisions rendered by the Board of Directors and to give its approval of the said items when considered proper.

ARTICLE XXXIV.

A General Council of Executives shall be composed of the Governor, the Vice-Governor, the Directors and the Auditors.

A General Council of Executives shall be convened by the Governor to decide on matters of specific importance.

ARTICLE XXXV.

A regular general meeting of the shareholders of the Central Bank of Manchou shall be held twice a year.

In case of necessity, a special general meeting of the shareholders may be held.

The right of the shareholders and the method of voting at a general meeting of the shareholders shall be provided for in the Articles of Association of the Bank.

ARTICLE XXXVI.

The Central Bank of Manchou shall, to compensate for a loss in its capital, if any, set aside as a reserve eight per cent (8%) or

more of the net profit of each business term, as well as two per cent (2%) or more of the net profit for dividend-equalization.

In addition to the reserve funds stated in the foregoing, the Central Bank of Manchou shall hold twenty per cent (20%) or more of its net profit as a reserve in the forms of gold bullion, gold foreign currency, or of deposits in gold.

ARTICLE XXXVII.

In case the total amount of a dividend to be distributed to the shareholders exceeds ten per cent (10%) of the total amount of the paid-up capital, the Central Bank of Manchou shall give three-fourths of such excess amount of the dividend to the Government.

ARTICLE XXXVIII.

In case the profit distributable to the shareholders as dividend does not reach six per cent (6%) of the total of the amounts paid in on the shares other than those held by the Government, the Central Bank of Manchou shall not be obligated to declare any dividend on the Government shares.

When the profit exceeds the above mentioned six per cent (6%) the Government shares are entitled to dividend for the excess, but the rate of such dividend shall not exceed that for shares other than those held by the Government.

ARTICLE XXXIX.

In case the profit distributable to the shareholders as dividend does not reach six per cent (6%) of the total of the amounts paid in on the shares other than those held by the Government each business year, the Government shall *make up the deficit*, this being effective for five years after the organization of the Bank.

ARTICLE XL.

A supervisor shall be appointed by the Government to supervise the general administration of the Bank.

ARTICLE XLI.

Any revision or alteration in the Articles of Association shall be decided by a general meeting of shareholders subject to the approval of the Government.

ARTICLE XLII.

The Government may issue necessary orders for the supervision of the business of the Central Bank of Manchou.

ARTICLE XLIII.

The Central Bank of Manchou shall report once each month on the various administrative and business matters to the Government.

SUPPLEMENTARY

ARTICLE XLIV.

Notwithstanding the provisions of Article XVIII of this Law, the Central Bank of Manchou may engage for one year from the date of its organization in the various businesses formerly carried on by the four banks which have been amalgamated into the Central Bank of Manchou.

ARTICLE XLV.

The Directors and Auditors of the Bank serving the first time after its organization shall be especially appointed by the Government.

The said Directors and Auditors shall not be obliged to hold the number of shares of the Bank designated in pars. 2 and 3 of Art. XX.

ARTICLE XLVI.

The present Law shall come into force on the day of its promulgation.

MILESTONES OF PROGRESS

I. MANCHOUKUO FOREIGN TRADE RETURNS FOR 1936

The trade of Manchuria reached its peak in 1929 when it totaled MY 1,162,630,401 and recorded a favourable balance of MY 156,734,299. It began to fall off in 1930 owing to the world-wide depression and reached a low total of MY 955,829,585 in 1932 owing to the Manchurian Incident. The establishment of Manchoukuo, followed by the gradual restoration of peace and order and the inauguration of an extensive reconstruction program, brought about its gradual rise to MY 964,310,030 in 1933, MY 1,041,988,815 in 1934, and MY 1,025,256,833 in 1935. The returns for 1936 show a decided leap to MY 1,294,648,262, the new high watermark in the Manchurian trade. It should be noted also that the excess of imports fell off also decidedly from MY 183,071,606 in 1935 to MY 89,130,284 in 1936. The following figures show the comparative growth from 1935 to 1936.

1. Total Values of Exports and Imports

(Unit: Manchoukuo Yuan)

EXPORTS	1936	1935
Native Goods.....	528,616,536	391,554,649
Foreign Goods	74,142,453	29,553,104
Total	602,758,989	421,107,753
IMPORTS		
Foreign Goods	691,889,273	604,056,134
Native Goods.....	—	92,946
Total	691,889,273	604,149,080
Grand Total	1,294,648,262	1,025,256,833
Excess of Imports.....	89,130,284	183,041,327

2. Values of Exports: By Countries.

Country	1936	1935
Japan	237,546,009	183,522,717
Chosen	48,442,992	33,769,419
China	128,516,452	65,352,588
U. S. S. R.....	1,585,837	4,661,837

Country	1936	1935
Hongkong	8,727,639	7,528,136
British India	1,691,469	2,701,172
Netherlands Indies	1,477,642	701,032
Great Britain	27,520,818	24,221,125
France	4,837,346	3,569,770
Germany	50,277,944	32,798,720
Belgium	953,180	1,148,098
Netherlands.....	7,071,648	10,075,070
Italy	382,792	3,863,633
U. S. A.	16,355,537	15,596,059
Other Countries	67,371,688	31,568,377
Total	602,758,989	421,107,753

3. Values of Imports: By Countries

Country	1936	1935
Japan	507,216,093	434,228,749
Chosen	27,413,968	22,446,105
China	47,743,801	31,992,899
U. S. S. R.....	260,927	1,168,227
Hongkong	4,947,335	2,758,630
British India	28,223,884	23,820,895
Netherlands Indies	6,864,680	5,062,353
Great Britain	7,419,214	9,482,007
France	788,710	462,784
Germany	13,024,510	14,741,785
Belgium	1,017,719	1,511,487
Netherlands	621,282	815,477
Italy	1,624,287	1,356,745
U. S. A.	23,735,307	24,935,671
Other Countries	20,977,556	29,365,544
Total	691,889,273	604,149,080

4. Values of Exports and Imports: By Countries

Country	1936	1935
Japan	744,762,102	617,751,466
Chosen	75,856,960	56,215,525
China	176,260,253	97,345,487
U. S. S. R.....	1,846,764	5,830,064
Hongkong	13,674,974	10,286,766
British India	29,915,349	26,522,067
Netherlands Indies	8,342,322	5,763,385
Great Britain	34,940,032	33,703,132
France	5,626,016	4,032,554

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Country	1936	1935
Germany	63,302,454	47,540,505
Belgium	1,970,899	2,659,585
Netherlands	7,701,920	10,890,547
Italy	2,007,079	5,220,378
U. S. A.	40,090,844	40,531,730
Other Countries	88,349,244	60,933,921
Total	1,294,648,262	1,025,256,833

5. Values of Principal Articles Exported Abroad

(Unit: Manchoukuo Yuan)

Articles	1936	1935
Bristles	4,404,163	2,796,595
Hides and Leather	653,530	899,599
Skins (Furs)	5,131,812	3,234,194
Soya beans	216,474,556	130,053,055
Other Beans	14,838,428	13,055,930
Bran, Wheat	3,393,649	835,457
Buckwheat	2,373,263	2,494,433
Kaoliang	11,726,465	3,993,135
Maize	6,995,450	1,470,218
Millet	18,318,478	9,049,721
Rye	1,555,380	2,082,945
Bean cake	53,126,934	51,370,086
Ginseng	939,863	938,893
Bean Oil	21,382,719	20,132,208
Perilla Seed Oil	6,764,310	2,839,822
Paraffin Wax	2,066,344	1,206,375
Groundnuts	16,109,759	15,140,649
Castor Seed	3,035,863	2,795,011
Cotton Seed	792,259	1,463,602
Hemp Seed	3,597,399	5,648,588
Perilla Seed	13,818,145	7,533,082
Sesamum Seed	831,751	3,122,001
Mixed Fodder	1,961,233	3,220,047
Coal	35,181,459	40,473,980
Shale Oil	2,435,134	1,278,885
Timber and Wood	2,979,587	3,846,843
Wood Pulp	75,160	631,795
Raw Silk, Wild	6,118,319	7,278,999
Silk, Waste	1,154,932	1,106,335
Wool, Sheep's	1,924,761	1,447,097
Cotton Yarn	6,189,066	5,623,860
Gunny Bags	650,776	1,225,454

Articles	1936	1935
Pig Iron	7,650,247	10,329,457
Iron & Steel, & Other Manufactures	9,238,424	1,594,812
Glass, Window, Common, Un-silvered	1,639,303	1,670,888
Magnesite and Powder	1,294,832	859,053
Soapstone and Talc, Powder ...	749,784	643,392
Sulphate of Ammonium	11,423,631	6,051,084
Salt	5,072,710	4,663,349
Others	24,495,608	17,443,720
Total	528,616,536	391,544,649

6. Quantities of Principal Articles Exported Abroad

Articles	1936	1935
Bristles	16,423 Piculs	13,333 Piculs
Hides and Leather	—	—
Skins (Furs)	—	—
Soya Beans	32,539,781 ..	29,203,888 ..
Other Beans	2,369,259 ..	2,647,852 ..
Bran, Wheat	1,436,438 ..	376,588 ..
Buckwheat	473,773 ..	444,760 ..
Kaoliang	3,075,941 ..	1,186,274 ..
Maize	1,964,241 ..	549,901 ..
Millet	2,660,836 ..	1,742,303 ..
Rye	253,867 ..	347,588 ..
Beancake	14,026,666 ..	16,925,382 ..
Ginseng	451,717 Cattie	444,194 Cattie
Bean Oil	1,109,670 Piculs	1,479,085 Piculs
Perilla Seed Oil	324,120 ..	193,232 ..
Paraffin Wax	352,230 ..	301,339 ..
Groundnuts.....	1,605,414 ..	1,717,097 ..
Castor Seed	331,572 ..	492,555 ..
Cotton Seed	250,548 ..	628,202 ..
Hemp Seed	769,672 ..	1,512,237 ..
Perilla Seed	1,913,805 ..	1,056,827 ..
Sesamum Seed	64,336 ..	282,194 ..
Mixed Fodder	884,162 ..	1,552,410 ..
Coal	3,737,705 Tons	4,182,276 Tons
Shale Oil.....	94,285 ..	52,916 ..
Timber and Wood	—	—
Wood Pulp.....	8,132 Piculs	75,514 Piculs
Raw Silk, Wild	1,654,241 Cattie	2,271,014 Cattie
Silk, Waste	1,660,307 ..	2,482,530 ..
Wool, Sheep's	5,374,742 ..	5,104,280 ..

Articles	1936	1935
Cotton Yarn	78,841 Piculs	71,541 Piculs
Gunny Bags	29,280 "	49,938 "
Pig Iron	5,104,287 "	7,152,822 "
Iron & Steel, & other Manu- factures	—	—
Glass, Window, Common, Un- silvered	308,622 (100 Sq. ft.)	278,481 (100 Sq. ft.)
Magnesite and Powder	1,823,384 Piculs	1,264,077 Piculs
Soapstone and Tale, Powder ...	1,373,995 "	1,237,578 "
Sulphate of Ammonium	2,927,960 "	1,642,336 "
Salt	6,745,107 "	4,610,006 "
Others	—	—

7. Values of Principal Articles Imported from Abroad

(Unit: Manchoukuo Yuan)

Articles	1936	1935
Cotton Piece Goods, Grey	32,048,120	24,227,824
Cotton Piece Goods, White or Dyed	40,769,121	25,649,271
Cotton Piece Goods, Printed ...	11,783,930	7,483,328
Cotton Piece Goods, Miscella- neous	2,894,756	2,979,484
Raw Cotton	18,601,313	9,406,593
Cotton Yarn	7,693,579	7,937,554
Cotton Thread	1,978,779	1,247,896
Clothing	13,593,434	11,207,223
Raw Jute	2,595,056	2,062,519
Gunny Bags	14,024,752	14,640,550
Yarn and Cord	3,366,688	2,030,366
Woolen Piece Goods	14,314,721	11,342,804
Artificial Silk Floss and Yarn ...	15,801,090	8,051,145
Silk Piece Goods	35,682,703	19,709,051
Copper	2,660,666	4,463,883
Iron and Steel	39,506,313	51,539,998
Lead	1,125,484	1,031,242
Machinery and Tools	38,917,667	33,510,014
Vehicles	39,550,331	39,844,471
Electrical Appliances	16,357,932	15,280,977
Telephonic and Telegraphic In- struments and Materials	5,325,105	3,497,359
Fishery and Sea Products	12,004,674	8,552,935
Canned Goods	2,953,996	2,717,957
Tea	3,727,063	3,136,013
Rice and Paddy	12,591,814	11,567,240

Articles	1936	1935
Wheat Flour	27,115,884	53,988,584
Fruits, Fresh, Dried, or Preserved	8,371,184	7,852,186
Vegetables, Fresh, Dried Prepared and Salted	3,937,656	3,157,629
Sugar	29,421,248	12,973,926
Wines, Beer, Spirits, Table Waters, etc.	8,368,084	7,965,124
Cigarettes	1,202,298	1,933,940
Leaf Tobacco	8,848,348	6,067,286
Soda Ash.....	1,632,918	1,600,522
Chemicals and Pharmaceuticals.	13,525,675	11,574,656
Dyes, Pigments, Paints, and Varnishes	7,257,403	6,744,902
Gasoline	1,769,993	5,375,045
Kerosene	1,740,417	2,227,900
Lubricating Oil	3,210,367	2,849,803
Mineral Crude Oil	6,601,260	—
Soap	2,985,903	2,205,915
Paper.....	16,792,945	12,959,294
Paperware	8,240,175	5,862,782
Hides and Leathers	4,296,529	2,696,947
Skins (Furs)	1,154,495	1,421,425
Timber and Wood	11,745,637	14,310,189
Chinaware	2,445,860	2,107,477
Cement.....	3,436,728	3,543,465
Rubber Boots and Shoes	8,607,397	8,437,757
Musical Instruments	2,185,914	2,037,027
Perfumery and Cosmetics	3,024,916	2,344,826
Photographic Materials	2,629,864	1,784,895
Toys and Games	1,136,519	1,130,050
Others	110,218,519	95,785,164
Total	691,889,273	604,056,134

8. Quantities of Principal Articles Imported from Abroad

Articles	1936	1935
Cotton Piece Goods, Grey	—	—
Cotton Piece Goods, White or Dyed	—	—
Cotton Piece Goods, Printed ...	—	—
Cotton Piece Goods, Miscellaneous.....	—	—
Raw Cotton	383,761 Piculs	203,813 Piculs
Cotton Yarn	8,893,503 Catties	9,374,716 Catties

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Articles	1936	1935
Cotton Thread	—	—
Clothing	—	—
Raw Jute	19,774,157 Cattiees	16,760,573 Cattiees
Gunny Bags	814,793 Piculs	901,342 Piculs
Yarn and Cord	1,256,456 Cattiees	889,859 Cattiees
Woolen Piece Goods	—	—
Artificial Silk Floss and Yarn ...	11,905,976 "	5,546,233 "
Silk Piece Goods	—	—
Copper	4,907,219 "	9,352,943 "
Iron and Steel	—	—
Lead	70,231 Piculs	67,278 Piculs
Machinery and Tools	—	—
Vehicles	—	—
Electrical Appliances	—	—
Telephonic and Telegraphic Instruments and Materials	—	—
Fishery and Sea Products	—	—
Canned Goods	—	—
Tea	8,091,265 Cattiees	7,155,077 Cattiees
Rice and Paddy	1,770,126 Piculs	1,326,908 Piculs
Wheat Flour	3,480,897 "	7,695,656 "
Fruits, Fresh, Dried, or Preserved	—	—
Vegetables, Fresh, Dried, Prepared and Salted	—	—
Sugar	3,696,968 Piculs	1,776,721 Piculs
Wines, Beer, Spirits, Table Waters, etc.	—	—
Cigarettes	3,609,853 Hundreds	5,984,725 Hundreds
Leaf Tobacco	25,143,997 Cattiees	16,071,611 Cattiees
Soda Ash	328,249 Piculs	274,004 Piculs
Chemicals and Pharmaceuticals.	—	—
Dyes, Pigments, Paints, and Varnishes	—	—
Gasoline	3,890,572 U. S. Gallons	9,013,606 U. S. Gallons
Kerosene	3,746,475 "	4,047,013 "
Lubricating Oil	5,326,311 "	5,519,758 "
Mineral Crude Oil	118,349 Tons	—
Soap	—	—
Paper	—	—
Paperware	—	—
Hides and Leathers	—	—
Skins (Furs)	—	—
Timber and Wood	—	—

Articles	1936	1935
Chinaaware	—	—
Cement	2,783,199 Piculs	2,473,960 Piculs
Rubber Boots and Shoes	—	—
Musical Instruments	—	—
Perfumery and Cosmetics	—	—
Photographic Materials	—	—
Toys and Games	—	—

II. TOTAL VALUES OF EXPORTS AND IMPORTS BY CUSTOMS DISTRICTS DURING 1936

Owing to the brisk export of staple products and the growing purchasing power at home, Manchoukuo's foreign trade during 1936 showed remarkable increases in both exports and imports, resulting in a reduction by nearly 50% of the unfavourable balance of the country (Ref. Bulletin No. 173, Jan. 11, 1937). The more detailed figures of the trade and those classified by customs districts, as released by the Department of Finance, are as follows:

Total Values of Exports and Imports

(Unit: MY 1,000)

	1936	1935
Exports	524,576	391,544
Re-exports	74,099	29,533
Total	598,675	421,077
Imports	690,675	604,056
Re-imports	18	92
Total	690,693	604,149
Total Exports and Imports	1,289,368	1,025,227
Excess of Imports	92,018	183,071
Excess of Exports	—	—

Figures by Principal Customs Districts

(Unit: MY 1,000)

EXPORTS		
Customs Districts	1936	1935
Dairen	441,175	315,370
Harbin	827	3,004
Hsinking		

Customs Districts	1936	1935
Antung	42,736	35,897
Yingkou	52,623	41,606
Mukden		
Tumen	43,002	15,143
Lungchingsun		
Seishin		
Yuki		
Rashin		
Chengte	1,157	1,697
Shanhaikuan	17,135	8,357
Total	598,675	421,077

IMPORTS

Customs Districts	1936	1935
Dairen	526,276	464,375
Harbin	3,426	4,906
Hsinking		
Antung	93,608	75,685
Yingkou	26,283	25,174
Mukden		
Tumen	28,391	27,495
Lungchingsun		
Seishin		
Yuki		
Rashin		
Chengte	1,237	1,265
Shanhaikuan	11,472	5,246
Total	690,693	604,149

- N.B. 1. Fractions of one thousand Yuan having been omitted, the totals do not precisely agree with the figures obtained by counting the detailed figures.
2. Figures for 1935 include those of the customs branch and sub-branch offices not mentioned in the above tables.
3. Figures for 1936 include those of such branch or sub-branch offices up to October, but do not include the figures of such offices during November and December of the same year.

Entrance and Clearance of Steamers of the three Ports in South Manchuria: by Countries and by Flags.

Flags	1936		1935	
	No.	Tons	No.	Tons
Entered Manchoukuo	337	200,976	384	227,159

Flags Entered	1936		1935	
	No.	Tons	No.	Tons
Kwantung L. T.	1,126	1,633,102	1,184	1,703,616
Japanese	2,047	3,647,639	2,041	3,903,364
Chinese	1,236	1,079,820	1,236	937,332
U. S. S. R.	2	4,407	—	—
British	311	837,245	382	992,425
French	1	2,384	2	4,768
German	81	34,365	87	381,144
Dutch	29	132,056	26	117,117
Danish	14	64,711	21	92,894
Swedish	12	42,410	14	53,561
Norwegian.....	51	169,319	75	236,497
Italian	9	33,059	11	38,276
Greek	14	41,052	14	43,716
U. S. A.	21	84,769	45	188,844
Yugoslavian	1	3,543	1	3,853
Total	5,292	8,322,857	5,523	8,924,566

Flags Cleared	1936		1935	
	No.	Tons	No.	Tons
Manchoukuo	349	212,870	363	207,259
Kwantung L. T.	1,117	1,671,061	1,249	1,838,988
Japanese	2,032	3,646,508	2,004	3,922,346
Chinese	1,234	1,107,570	1,240	976,655
U. S. S. R.	2	4,407	—	—
British	314	835,891	376	990,669
French	1	2,384	2	4,768
German	84	363,286	88	384,534
Dutch	28	130,922	27	121,166
Danish	15	69,739	24	105,846
Swedish	12	42,410	14	54,357
Norwegian	50	168,658	73	228,411
Italian	10	36,768	11	38,276
Greek	14	42,096	16	50,687
U. S. A.	20	78,751	46	191,165
Yugoslavian	1	3,543	1	3,853
Total	5,333	8,416,864	5,534	9,118,980

III. 1936 ACCOUNT OF ORDINARY BANKS IN MANCHOUKUO

The Government policy of weeding out questionable banks continued throughout 1936 and 81 approved ordinary banks

which existed at the end of 1935 were reduced to 58 at the end of 1936. According to the report of the Manchoukuo Finance Department, the statement of conditions of these 58 ordinary banks on December 31, 1936, is as follows:

A. Assets

Unpaid Capital	MY 3,100,000
Loans	23,830,393
Deposits with Other Banks	6,075,700
Due from Other Banks	698,195
Forward Exchanges Bought	8,716,126
Securities	4,297,842
Bullions	35,734
Bank Properties	10,720,807
Cash in Hand	2,038,686
All Other Assets	35,733,863
Total	<u>MY 127,547,533</u>

B. Liabilities

Capital	MY 16,107,000
Reserves	1,855,951
Deposits	30,031,439
Loans from Banks	23,777,693
Due from Banks	373,983
Bills Payable	6,262,044
Forward Exchanges Sold	8,929,941
All Other Liabilities	40,207,502
Total	<u>MY 127,547,533</u>

IV. THE LAW GOVERNING SUCCESSION TO THE IMPERIAL THRONE

On the occasion of the fifth anniversary of the founding of the State, namely, March 1, 4th year of Kangtê (1937), the Law Governing Succession to the Imperial Throne of the Empire of Manchou, together with an Imperial Edict relating thereto, was promulgated, in accordance with Paragraph 2, Article 1 of the Organic Law of the Empire, by a special issue of the Official Gazette.

THE LAW GOVERNING SUCCESSION TO THE IMPERIAL THRONE

Promulgated March 1, 1937.

Unofficial Translation

ARTICLE I.

The Imperial Throne of the Empire of Manchou shall be succeeded to by male descendants in the male line of the Emperor Kangtê for ages eternal.

ARTICLE II.

The Imperial Throne shall be succeeded to by the Imperial eldest son.

ARTICLE III.

When there is no Imperial eldest son, the Imperial Throne shall be succeeded to by the Imperial eldest grandson. When there is neither Imperial eldest son nor any male descendant of his, it shall be succeeded to by the Imperial son next in age and by his descendants, and so on in every successive case.

ARTICLE IV.

For succession to the Imperial Throne by an Imperial descendant, the one of full blood shall have precedence over descendants of half blood. The succession to the Imperial Throne by the latter shall be limited to those cases only, when there is no Imperial descendant of full blood.

ARTICLE V.

When there is no Imperial descendant, the Imperial Throne shall be succeeded to by an Imperial brother and by his descendants.

ARTICLE VI.

When there is no such Imperial brother nor descendant of his, the Imperial Throne shall be succeeded to by an Imperial uncle and by his descendants.

ARTICLE VII.

When there is neither such Imperial uncle nor descendant of his, the Imperial Throne shall be succeeded to by next nearest member among the rest of the Imperial Family and by his descendants.

ARTICLE VIII.

Among the Imperial brothers and the remoter Imperial relations, precedence shall be given, in the same degree, to the descendants of full blood over those of half blood, and to the elder over the younger.

ARTICLE IX.

When the Imperial heir is suffering from an incurable disease of mind or body, or when any other weighty cause exists, the order of succession may be changed in accordance with foregoing provisions with the advice of the Privy Council.

ARTICLE X.

The order of succession to the Imperial Throne shall in every case relate to absolute lineage.

SUPPLEMENTARY

The present Law shall come into force on the day of promulgation.

Note: The statement given to the press by Mr. Chang Ching-hui, the Prime Minister, simultaneously with the promulgation of the foregoing Law may be of some help to the accurate understanding of the purport of the enactment. In this statement the Prime Minister says that the Law, as is clearly shown in its first Article, has for its essential purport the establishment of the fundamental principle that the first ancestor of the Imperial lineage of Manchoukuo shall be H.I.M. the Emperor Kangtê, and that the Imperial Throne shall be succeeded to solely by the Imperial descendants of His Majesty himself for ages eternal. The Prime Minister further explains that the stipulations of Article 2 and other succeeding articles of the Law are for clarifying the order of succession to the Imperial Throne among such Imperial descendants. The aim of the present enactment, according to the Prime Minister, is to keep the Imperial lineage of Manchoukuo forever unbroken and thereby to ensure everlasting and growing prosperity for the nation.

V. MANCHOUKUO BORDER ZONE LAW

The growing importance of the Manchoukuo border from the view-point of national defence and the maintenance of public order led the Manchoukuo Government to proclaim the Border Zone. The newly proclaimed Border Zone is carefully defined and the residents therein and travellers going through it are required to register and to carry travel certificate. Moreover, those who desire to settle within the said Zone are required to obtain special permit therefor. The Border Zone Law was promulgated on December 24, 1936, and went into force on February, 1937.

Unofficial Translation

ARTICLE I.

The Border Zone as referred to in the present Law shall comprise the following districts, which, from the view-point of national defence and the maintenance of public order, require special control:

Chientao Province:	Hunchun-hsien;
Pinkiang Province:	Hulin-hsien, Mishan-hsien, Tungning-hsien, Muling-hsien;
Sankiang Province:	Lopei-hsien, Suipin-hsien, Tungkiang-hsien, Fuyuan-hsien, Jaoho-hsien;
Heiho Province:	Entire Province;
North Hsingan Province:	Entire province.

ARTICLE II.

A person over the age of fourteen residing within the Border Zone shall duly notify the police authorities concerned of his residence and obtain a certificate of residence issued by the said authorities.

ARTICLE III.

A person residing within the Border Zone shall carry with him his certificate of residence when travelling or moving to another locality.

ARTICLE IV.

In case a person residing outside of the Border Zone desires to travel in the said Zone, he shall apply to the police authorities concerned and obtain a travel permit issued by the said authorities.

A person who passes through the Border Zone by railway train or aircraft in regular operation shall not be required to have the permit mentioned in the preceding paragraph. A person without the said permit, however, shall not go outside of railway stations or aerodromes without the permission of the police authorities at the places concerned.

ARTICLE V.

In case a person residing outside of the Border Zone desires to settle in the said Zone, he shall obtain permission therefor from the Minister of Civil Affairs or the Minister of Mongolia Administration as the case may be.

In case the Minister of Civil Affairs or the Minister of Mongolia Administration grants the permission mentioned in the preceding paragraph, he shall issue a permit for settlement.

ARTICLE VI.

The aforementioned certificates of residence, permits to travel and permits for settlement shall not be lent or transferred to other persons.

ARTICLE VII.

The competent authorities concerned may examine at any time the certificates of residence, permits to travel or permits for settlement of the residents, travellers or settlers in the Border Zone.

ARTICLE VIII.

Certificates or permits issued in accordance with other laws or ordinances in regard to residence or travel may be substituted, subject to stipulations by the Minister of Civil Affairs or the

Minister of Mongolia Administration, for the certificates of residence or permits to travel provided for in the present Law.

ARTICLE IX.

When a resident or a traveller in the Border Zone is deemed harmful to national defence or the maintenance of public order, the Minister of Civil Affairs or the Minister of Mongolia Administration may prohibit the residence or travel by such person.

ARTICLE X.

A person violating any of the stipulations contained in Article 2 to Article 6 inclusive or the order issued in accordance with the preceding Article shall be punished with detention, imprisonment with or without hard labour or a fine not exceeding fifty yuan.

The same rule shall apply to a person who refuses the examination conducted by the competent authorities concerned by virtue of the provision of Article 7.

ARTICLE XI.

The present Law shall not apply to persons in the military service, civilians attached to the military service or other public servants who wear regular uniforms or carry their identity cards issued by the directors of the organizations to which they are attached.

SUPPLEMENTARY

The present Law shall come into force on the first day of February, the fourth year of Kangtê (1937).

From the point of view of mutual national defence and mutual maintenance of public order the Japanese Government decided to cooperate with the Manchoukuo authorities in enforcing similar regulations among the Japanese residents and travellers within the said Border Zone. Accordingly, the Kwantung Bureau issued similar regulations governing Japanese subjects and enforced them also from February 1, 1937.

VI. MANCHOUKUO CODE OF CRIMINAL PROCEDURE PROMULGATED

The Manchoukuo code of criminal procedure, the draft of which was in preparation for sometime, was promulgated on March 8 and will be enforced from June 1. The new legislation, not only represents a fundamental revision of the present code adopted for temporary use when the new regime came into power at Hsinking, but also shows an improvement over the Japanese code. Its compilation was undertaken under the able direction of Dr. Seiichiro Ono, an acknowledged Japanese authority on criminal law, whose service was specially engaged for the purpose by the Hsinking Government.

Enumerating the principal features of the new code, authorities of the Department of Justice emphasize that special provision was made to facilitate the arrest and trial of criminals. The prolonged delays in the execution of verdicts, which constitute one of the chief defects of the judicial systems even in countries far more advanced than Manchoukuo, will be eliminated under the new code, and speedy punishment will not be meted out to those convicted, so that the results of court trials and the significance of punishment will not be lost.

Another noteworthy point of the new code is the absence of provision for preliminary hearings. In this respect it follows the old code, but differs essentially from the Japanese code of criminal procedure. The system of preliminary hearings was eliminated in order to speed up criminal proceedings, and to remove the suspicions which are entertained by the public in regard to preliminary hearings.

Another feature is the expansion of the powers of search of the public prosecutors who are given wide and compulsory powers in Articles 112, 131, 152, 161, 188, and 201, so as to facilitate the speedy arrest of offenders. The judicial police are also granted such compulsory powers to a certain degree. However, in order to guard against the misuse of these powers, the cases in which persons may be arrested and detained are clearly set forth, and the duration of such detention is limited to a maximum of 20

days. Moreover, when any subpoenas are to be issued to witnesses who refuse to answer summons to appear in courts, the permission of the procurator's office is required.

A new system of summary verdicts is also provided under the new code. Whereas a four-trial system is stipulated in the old code and the existing Japanese code, the new Manchoukuo code, in effect, simplifies it to three trials by providing for a judgment at the close of the first trial which is conducted in a speedy and simple manner by reference to documents only. Any defendant found guilty at the first trial, however, has the right to appeal to a higher court.

Another innovation in the new code is the change of the method of conducting the trial of cases which have been taken to a higher court. Under the existing code it is held with reference to documents, while under the new method such trials as a rule are to be held orally. There are, however, exceptions to this general rule.

Further the new legislation limits the number of defence counsels to three. The cases in which trials may be held without the presence of the accused have also been increased. The time limit for appeal is set at ten days, counting from the day the decision is handed down.

In order to facilitate the discovery of truth, not only the public procurators, but also the judicial police officers are empowered to question any suspects or witnesses. They are also authorized to use such powers as those of confiscation, search, and examination of the scene of crime, whenever they deem it necessary. The cases in which the testimony of witnesses may be rejected by the court are also limited to prevent the misuse of judicial power for private benefit.

Other features of the new code are the abolition of the system of voluntary surrender to justice, the provision of defence counsel by the court in the case of persons accused of crimes carrying a penalty of over five years or defendants who are unable to defend themselves owing to lack of intelligence, the conduct of trials without the detention of the accused through the deposit of bonds or submission of documents by the accused or their relatives or

others, and the authorization of any court to confiscate the property of any defendant during the course of trial so as to ensure the payment of a fine.

VII. MANCHOUKUO JUDICIAL REFORMS PROGRESSING

Looking forward to the complete relinquishment of extraterritoriality within Manchoukuo by the end of this year, the Department of Justice at Hsinking is hastening the compilation of various codes and the perfection of various judicial organs.

1. **Compilation of Codes.** Of the five fundamental codes of Manchoukuo, the Criminal Code saw its completion and proclamation on January 4, 1937. The Law of Criminal Procedure was completed by the close of last year and was proclaimed on March 8 this year. The other three, namely the Civil Code, the Law of Civil Procedure, and the Criminal Law, are now under compilation and will be proclaimed together in July this year. These will incorporate much of the customs and traditions prevalent in Manchoukuo. In addition, the Corporation Law and the Law of Nationality are also under preparation.

2. **Perfection of Judicial Organs.** On the basis of the Court Organization Law already proclaimed, the government has decided to carry out fundamental reforms of local judicial organs. Chief among these will be the reformation or abolition of some fifty Hsien Courts and Local Courts within this year, and the establishment of Sub-District Courts. Under this plan, Manchoukuo will have within the next two years 1 Supreme Court, 5 High Courts, 25 District Courts, and 130 Sub-District Courts. At the same time, general improvement of prisons is progressing all over the country. At Mukden a new prison containing three divisions for convicts, prisoners awaiting trial, and foreigners is now in the course of construction and already 80% completed.

3. **Perfection of Judicial Personnel.** There are at present 518 judicial officers in the central and local judicial posts. The authorities are now planning to add 40 more within this year and to appoint 700 additional judges including 150 Japanese before the end of 1938.

VIII. MANCHOUKUO POSTAL SAVINGS EXCEED 10 MILLION YUAN

Postal savings in Manchoukuo passed the 10 million yuan mark on May 4, 1937, only four years after the postal savings were established by the Manchoukuo Government. The number of depositors was 127,541 on the same date.

Postal savings in Japan required some ten years to reach 10,000,000 yen since the system was established in 1875, and those in the Kwantung Leased Territory and the S. M. R. zone took 18 years from 1906. However, it is necessary to weigh the considerable difference in individual earnings and in the value of money between those days and at present.

Details of the increase of postal savings in Manchoukuo according to years are as follows (in units of 1,000 yuan):

At the end of	No. of Depositors	Amount
1933	10,769	217
1934	21,314	631
1935	72,675	2,336
1936	103,909	7,107

Comparative figures of the increase rate in postal savings during the first three years since the respective postal savings accounts were established in Japan, the Kwantung Leased Territory and Manchoukuo follow:

	Manchoukuo	Japan	Kwantung Territory
First year	19.09%	17.49%	7.58%
Second year	27.01	13.92	3.71
Third year	20.42	18.59	1.91

IX. MANCHOUKUO TO LEVY STAMP DUTY ON ALL JAPANESE NATIONALS

In conformity with the stipulations of the Japan-Manchoukuo treaty which was signed on June 10, 1936, for the gradual relinquishment of Japanese extraterritorial privileges, the Manchoukuo law governing the imposition of stamp duties was to become formally applicable to all Japanese nationals residing within the territory of Manchoukuo on April 1, 1937. Accordingly, with the approval of General Kenkichi Ueda, Japanese Ambassador to

Hsinking, the Government of Manchoukuo officially decreed the application of the said law to all Japanese subjects residing within the Manchou Empire beginning on April 1.

This law, which was enacted on January 1, 1937, has not been applied to Japanese in Manchoukuo until April 1 in order to avoid unequal tax burdens on Japanese subjects living within Manchoukuo and the South Manchuria Railway zone. However, the Kwantung Bureau began to enforce a practically similar law within the railway zone from April 1 and, the application of the Manchoukuo law to Japanese residing outside of the railway zone has been made possible.

X. NEW RAILWAY IS DECLARED OPEN

The whole of the new railway which joins Hsinlitun and Ihsien, a distance of 131.5 kilometres, was thrown open to provisional service on April 1. The work on this new line of tremendous economic importance was started in April last year. Since November 10, 1936, the line between Hsinlitun and Haichow, a distance of 63 kilometres, has been under partial operation. The construction of the track from Haichow to Ihsien was completed some time ago and made possible the opening to provisional service of the entire line.

On the day of the provisional opening of the Haichow-Ihsien section, a mixed train comprising four goods-cars and one passenger-coach left Haichow at 7:10 a.m. on its maiden trip to the southern terminus, Ihsien, and reached the latter station at 10 a.m. Many Manchou peasants living along the line, the same report states, gathered along the track to welcome the train.

Inasmuch as this line runs through Fuhsin, a noted coalfield, and is linked at Ihsien with the Chinchow-Chente line which connects at Chinchow with a line extending to the great port of Hulutao, it is believed that the new line will play an important role in the development of the entire district it traverses. The importance of the line is especially associated with Manchoukuo's plan to increase coal production at Fuhsin under her announced five-year industrial program. From now on, the Fuhsin coal will

be taken southward by the new line to Ihsien, whence it is further to be carried to the port of Hulutao for shipment to Dairen and other outside ports.

XI. MANCHURIAN RAILWAY RECEIPTS UP BY 19 MILLION YEN

A remarkable gain of 19,000,000 yen over the preceding year was scored by the railway returns of the S. M. R. General Directorate of Railways during the fiscal year 1936, beginning on April 1 last year and ending on March 31 this year.

The railway receipts totaled 265,850,000 yen, of which 134,800,000 yen came from the S. M. R. lines, 125,200,000 yen from the State Railway lines, and 5,850,000 yen from the North Chosen lines.

On the S. M. R. lines, the passenger fares showed an increase by 140,000 yen while the goods freightage decreased by 1,600,000 yen as compared with the previous fiscal year, resulting in a decrease in the total earning of 1,460,000 yen. However, on the State Railways and the North Chosen lines, conspicuous increases were recorded for both the passenger and goods returns. On the former lines, the railway income from freight for 1936 increased by 12,000,000 yen and from passenger fares by 7,400,000 yen.

The railway returns according to the lines, were as follows:

S. M. R. Lines

Goods returns	¥ 102,200,000
Passenger returns	22,600,000
Miscellaneous	10,000,000
Total	¥ 134,800,000

State Lines

Goods	¥ 85,200,000
Passenger	34,700,000
Miscellaneous	5,300,000
Total	¥ 125,200,000

North Chosen Lines

Goods	¥ 4,400,000
Passenger	1,450,000
Total	5,850,000
GRAND TOTAL.....	¥ 265,850,000

According to the announcement of the General Directorate of Railways, the Manchurian staple produce carried by the railway lines during the year amounted to 5,610,000 tons. In comparison with the previous fiscal year, the State lines registered an increase of 440,000 tons, which more than covered a decrease of 400,000 tons on the S.M.R. lines. The tonnage of produce shipped by the North Chosen Railway lines was about the same as in the previous year.

A total of 2,580,000 tons of staple produce was carried to Dairen, 250,000 tons to Yingkou, and 580,000 tons to the North Chosen ports, the latter recording a remarkable increase.

Favored by the current brisk industrial activity in Japan and Manchuria, coal shipments reached 11,480,000 tons, denoting an excess of some 580,000 tons as against last year's 10,800,000 tons.

The amount of timber transported was 1,470,000 tons, an increase of 260,000 tons or 22 per cent over the preceding year. The gain was due chiefly to the building boom in Manchuria.

XII. MINERAL OUTPUT IN MANCHURIA, 1934-35.

The mineral output in Manchuria is showing a decided increase in the recent years. According to the report of the S.M.R. Geological Institute for 1935, the increase is most marked in the production of coal, iron and gold. The following table gives the detail with comparative figures for 1934. For figures previous to 1934, the reader is referred to the Fifth Report on Progress in Manchuria. (Unit: Metric Ton).

Products	1934	1935
Iron Ore	1,105,231	1,462,548
Pig Iron	475,826	607,948
Sulphuric Iron	7,770	9,110
Lead Ore	269	1,490
Manganese Ore	653	600
Gold (in grams)	463,639	1,886,895
Silver (in grams)	76,608	103,822
Coal	10,703,926	11,474,191
Coke	574,478	701,867
Oil Shale	2,105,765	3,436,647
Crude Oil	108,639	59,917

Products	1934	1935
Magnesite	78,752	151,586
Fire Clay	137,471	181,730
Soapstone	75,360	70,572
Zechstein	166,758	171,033
Limestone	655,647	855,267
Asbestos	119	70
Silica	154,930	148,754
Feldspar	29,874	3,979
Calcite	188	490

XIII. MANCHOUKUO PADDY-FIELD RICE PRODUCTION FAST RISING

The area under paddy-field rice cultivation in Manchuria has been doubled during the last five years, while improved methods of cultivation have increased the production of paddy-field rice by about four times during the same period.

The greatly increased ratio of paddy-field rice cultivation in comparison with that of upland rice is attributed both to a constantly growing number of Korean settlers in this country, as well as to the fact that the Manchou farmers, who were formerly engaged only in upland rice production, being not accustomed to paddy-fields, have been gradually turning to the latter method of rice cultivation.

Within the four years, beginning from 1932, the paddy-field rice area was increased by 57,204 hectares, while that of the upland rice increased only by 9,571 hectares. The index numbers of paddy-field and upland rice production during the same period, taking as a base the 1931 crop, are as follows:

	1931	1932	1933	1934	1935
Paddy-field rice	100	72	103	126	180
Upland rice	100	84	91	77	85

There are more than a million hectares of undeveloped land in Manchuria along the Liao, Sungari, Nonni, Muling, Mutan, Yalu, Tatzu and Hun Rivers, which are regarded as suitable for the paddy-field rice cultivation, and the latest available figures of its rapid development, which are given below, indicate a bright future for the paddy-field rice cultivation in Manchuria.

Year	Area (Hectare)	Production (Koku)
1932	62,980	1,255,997
1933	79,360	1,899,154
1934	101,780	2,440,529
1935	120,184	3,373,507
1936	173,951	5,010,262

XIV. PROGRESS OF TEXTILE INDUSTRY

The textile industry in Manchuria has been making a rapid progress during the recent years. It has been especially noticeable since the establishment of Manchoukuo due largely to her protective tariff. To-day, as shown in the accompanying table, 254,540 spindles and 16,478 looms are in operation and the situation is favorably comparable with that in North China or Chosen. And yet the import of cotton goods is gradually increasing and Manchuria has a long way to travel in reaching the state of self-sufficiency in the cotton industry. Last year, Manchuria imported 87,000,000 yen worth of cotton piece goods and 9,677,000 yen worth of cotton yarns, making a total of 97,177,000 yen or 14% of the entire imports and showing an increase of 40% over the 1935 figures.

The following table gives at a glance the present status of leading textile mills and their program of expansion:

Mills	Present Status		Expansion Program	
	Spindles	Looms	Spindles	Looms
Naigai Textile	92,200	1,006	1,000	113
Manshu Fukushima Textile	29,520	—	30,000	700
Manshu Textile	78,360	1,048	—	—
Mukden Textile	30,860	320	—	—
Yingkou Textile	23,600	808	35,000	700
Manshu Yarn	—	—	30,000	—
Total	254,540	3,182	96,000	1,513

(Note: There are also 13,296 looms among numerous smaller semi-domestic plants conducted by Manchoukuoans.)

In the face of such an increased importation of cotton piece goods and yarns and such an expansion program in textile mills and in consonance with the five-year industrial program, the Manchoukuo authorities are now planning the expansion of cotton

growing itself. They are launching this year the five-year program of cotton cultivation which aims at the expansion of cotton growing areas to 150,000 cho and the annual production of 250,000,000 kin of cotton which will give 75,000,000 kin of finished cotton. This program is to be realized in South Manchuria, especially in Fengtien, Chinchow, and Jehol Provinces. The goal of cotton growing areas in these provinces this year is put at 88,000 cho, an increase of 20% over 1936. This increased area is calculated to produce about 37,440,000 kin of cotton.

XV. 1937 S. M. R. BUDGET

The budget of the South Manchuria Railway Company for the fiscal year 1937, beginning on April, totals 217,781,000 yen. Of this sum, 29,273,000 yen will be devoted to the Company's ordinary enterprises, 36,694,000 yen to the Company's special enterprises, and 151,814,000 yen to the investments outside of the Company.

The Company's special enterprises mentioned above include the following:

Expansion of Fushun Electrical Plant.....	¥10,861,000
Equipments of Fushun Open Cut Mines	2,669,000
Establishment of Coal Liquefaction Plant.....	10,639,000
Expansion of Shale Oil Plant	9,163,000
Miscellaneous	3,362,000
Total	¥36,694,000

The investments outside of the Company include the following:

Construction of new Manchoukuo	
State Railways	¥52,719,000
Improvement of Manchoukuo State	
Railways.....	52,245,000
Affiliated Corporations.....	46,850,000
Total	¥151,814,000

The investments in affiliated corporations include the subscription payment for the Showa Steel Works, the Manchuria Coal Mining Company, the Manchuria Aluminum Industry Company, and a few others.

To balance these expenditures the Company's general enterprises will be met by the use of its reserve fund, while the Company's special enterprises and the investments outside will be taken care of by the three sources; 20,000,000 yen by the Japanese Government subscription payment, 36,000,000 yen by the general shareholders' subscription payment, and 130,000,000 yen by the issuance of new debentures.

The Company's revenue is estimated at 299,472,000 yen as against the expenditure of 248,932,000 yen, leaving an estimated profit of 50,540,000 yen. This is an increase of about 800,000 yen in profit as compared with the 1936 fiscal year.

The comparative figures of the Company's enterprises and their estimated revenues and expenditures for 1936 and 1937 are as follows:

A. Company's Enterprises

Enterprises	1937			1936
	General Enterprises	Special Enterprises	Total	
Railways	¥9,631,000	¥902,000	¥10,533,000	¥14,148,000
Hotels	172,000	0	172,000	258,000
Harbours	393,000	1,834,000	2,227,000	3,675,000
Coal Mines	10,150,000	14,695,000	24,845,000	18,503,000
Shale Oil Plant	0	8,149,000	8,149,000	3,241,000
Coal Liquefaction Plant...	0	10,067,000	10,067,000	0
Industrial Promotion	955,000	0	955,000	0
Local Public Works	3,277,000	0	3,277,000	4,528,000
Miscellaneous	2,695,000	1,047,000	3,742,000	3,304,000
Reserve	2,000,000	0	2,000,000	2,000,000
Total	29,273,000	36,694,000	65,967,000	49,657,000

B. Estimated Revenues and Expenditures

	Revenues		Expenditures		Balance	
	1937	1936	1937	1936	1937	1936
Enterprises						
Railways	¥143,344,000	¥137,822,000	¥54,401,000	¥51,289,000	¥ + 88,943,000	¥ + 86,533,000
Hotels	2,217,000	3,222,000	2,211,000	325,000	+ 6,000	- 36,000
Harbours	16,386,000	14,949,000	12,311,000	11,638,000	+ 4,075,000	+ 3,311,000
Coal Mines	88,964,000	92,753,000	75,418,000	81,833,000	+ 13,546,000	+ 10,920,000
Shale Oil Plant	8,674,000	7,655,000	7,225,000	6,280,000	+ 1,449,000	+ 1,375,000
Industrial Plant	866,000	0	7,918,000	0	- 7,052,000	0
Local Public Works	8,524,000	8,381,000	20,388,000	25,397,000	- 11,864,000	- 17,016,000
General Affairs	4,910,000	3,619,000	20,172,000	23,249,000	- 15,262,000	- 19,630,000
Interest	25,587,000	30,003,000	47,888,000	44,693,000	- 22,301,000	- 14,690,000
Reserve	0	0	1,000,000	1,000,000	- 1,000,000	- 1,000,000
Total	¥299,472,000	¥298,404,000	¥248,932,000	¥248,637,000	¥50,540,000	¥49,767,000

XVI. S. M. R. AFFILIATED ENTERPRISES

The corporations and enterprises in which the South Manchuria Railway Company holds capital shares totaled 77 at the end of March, 1937. The authorized capital of these organizations totaled 700,000,000 yen, of which 489,000,000 yen had been paid up. The S. M. R. shares were, respectively, 345,000,000 yen and 285,000,000 yen, an average of 49.3%. These investments according to enterprises are as follows:

Classification	Number	Authorized Capital	S. M. R. Shares
Industry	22	¥ 227,850,000	65.4%
Mining	9	73,800,000	28.6%
Engineering	6	22,100,000	46.3%
Gas and Electricity	3	102,000,000	61.3%
Agriculture and Forestry	7	56,600,000	44.8%
Finance	3	27,000,000	28.7%
Communication and Transportation...	12	162,420,000	33.5%
Commerce	11	16,265,000	46.1%
Miscellaneous	4	12,175,000	93.0%
Total	77	¥ 700,210,000	49.3%

The industrial development in Manchuria after the emergence of Manchoukuo is simply phenomenal and the above table shows that the S. M. R. investments in this field show this tendency most vividly.

XVII. S. M. R. APPROPRIATES 2,300,000 YEN
TO DEVELOP RASHIN

A systematic municipal development of Rashin in North Chosen will be started by the South Manchuria Railway Company at a cost of 2,300,000 yen over a period of two years from the fiscal year 1937.

This year the S. M. R. will complete the water-supply and sewerage works and other public facilities there at a cost of 1,700,000 yen. These include the construction of a large hotel in a semi-foreign style costing some 400,000 yen and a hospital costing 450,000 yen.

XVIII. HULUTAO PORT OPENED ON MAY 1

With the partial completion of its harbour works, the port of Hulutao was officially opened on May 1 by the South Manchuria Railway Company.

With the opening of Hulutao Harbour, the Manchuria Coal Mining Company is planning to ship the Peipiao coal to Japan from Hulutao. The amount will be limited to 200,000 tons a year for the time being, until the Fuhsin mines are developed.

A considerable amount of goods is also expected to be imported directly from Japan, where goods are re-exported to Hulutao at present. In consideration of the anticipated imports through Hulutao, the branch station of the Shanhaikuan Customs station there will be enlarged, and its personnel more than doubled.



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編輯人 大連市晴明臺219番地
松本 豊三

發行人 大連市陸岸町36番地 南山寮
松井 義夫

印刷人 東京市麻布區仲ノ町4番地
秋本 宗市

印刷所 東京市麹町區內幸町1ノ4番地
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